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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 1985

STATE OF OREGON
VICTOR ATIYEH , GOVERNOR

EXECUTIVE DEPARTMENT

THOMAS J MONTEROSS, DIRECTOR

REPORT PREPARED BY:
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STATE OF OREGON
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1985

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Executive Department

155 COTTAGE STREET NE., SALEM, OREGON 97310

October 31, 1985

GOVERNOR
MEMBERS OF THE LEGISLATURE
AND OTHER CITIZENS OF OREGON

The Comprehensive Annual Financial Report of the State of Oregon, for the fiscal year ended June 30, 1985, is submitted herewith. The report was prepared by the Accounting Division of the Executive Department in accordance with ORS 291.040. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner to reflect the financial position and results of operations of the State in accordance with generally accepted accounting principles; and that all disclosures necessary to enable the reader to gain an understanding of the State's financial affairs have been included.

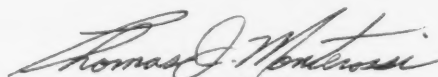
The financial statements include the financial activity of all state agencies as in past years; however, it should be noted that the activity related to the Department of Higher Education is no longer blended with the other funds but is shown as a separate discrete activity. We made this change in financial statement presentation to make it easier for the reader to interpret the financial activity of the State and to present the information more in accordance with preferred reporting practices for State government.

The Balance Sheet for the General Fund includes, in the payables, two amounts of particular interest to taxpayers. One of these is the amount of \$102 million. This is in accordance with the Legislature's commitment to the citizens of the State of Oregon to return to them tax revenues in excess of a stated amount collected during the 1983-85 biennium which ended June 30, 1985. The other is the amount of \$46 million. This is also an obligation to the citizens as a result of continued collection of a surtax between January 1, 1985, and June 30, 1985, after the law initiating the surtax had expired. Both of these amounts will be allowed as some form of tax credit on the 1985 personal income tax returns filed by April 15, 1986.

The individual agencies of the State of Oregon are audited by the Secretary of State's Office in accordance with Oregon Law. Those audit functions have been coordinated with the preparation of the annual financial statement for the State and have resulted in the auditors' certification letter enclosed in this report.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the accounting and support staff of the Executive Department, the accountants and managers of each individual agency, and the support provided by the auditors of the Secretary of State's staff. I express my appreciation to all of those people who contributed to the preparation of this report.

We hope that we have provided financial statements which will be valuable to legislators, concerned citizens and investors. Suggestions or comments are always welcome.


Thomas J. Monterossi
Director

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ORGANIZATION OF OREGON STATE GOVERNMENT

General Organization

The government of the State of Oregon is comprised of three separate branches: Executive, Legislative, and Judicial. The Executive Branch which administers state agencies and enforces state laws, is headed by six independently elected officials. These are the Governor, Secretary of State, State Treasurer, Attorney General, Labor Commissioner, and Superintendent of Public Instruction.

The Governor, Secretary of State, and State Treasurer, in addition to performing their individual duties, jointly form the Land Board. The three members of the Board have equal responsibilities and the Governor serves as chairperson.

The Attorney General, Superintendent of Public Instruction, and Labor Commissioner are elected to carry out the particular duties of their respective divisions.

The Executive Branch

The Governor is elected to a four-year term and is limited to serving two terms in any twelve-year period. The present Governor, Victor Atiyeh, assumed office on January 8, 1979. Responsibilities of the Governor, in addition to chairing the Land Board, include planning and recommending a budget to the State Legislature, coordinating activities of state agencies, initiating future state activities, and coordinating services of federal and local governments.

The Governor is empowered to call special sessions of the Legislature and may veto single appropriation items or emergency clauses on legislative bills. He appoints numerous agency heads, board and commission members, and other officials.

The Secretary of State is the auditor of public accounts in the state and is chief elections officer. As auditor, the Secretary of State conducts audits of municipal corporations and audits the accounts and financial affairs of state boards, commissions, departments, and institutions. The Secretary of State also edits, codifies, and publishes Administrative Rules, which supplement laws passed by the Legislature and prescribe the manner in which state agencies conduct their business.

The State Treasurer is responsible for all moneys paid into the State Treasury and, as the State's Investment Officer, invests trust and general funds. The Treasurer also receives and disburses state funds, has custody of securities deposited with the state, and oversees the issuing, paying of interest, and retiring of bonds. The Treasurer is a member of the Oregon Investment Council, the State Land Board, the Local Government Investment Board, the Municipal Debt Advisory Commission, the Public Contract Review Board, and the Oregon Mass Transportation Financing Authority.

The State Land Board was created by the 1967 Legislature to supervise administration of state-owned lands and public rights in submerged and submersible lands. Proceeds from the use of these lands are deposited as principal in the Common School Trust Fund. Interest from the Fund is paid to counties for school operation.

The Legislative Branch

Oregon's Legislative Branch is comprised of a bicameral legislative assembly and its permanent and temporary legislative committees. The Senate has thirty members elected to four-year terms with half elected every two years. The House of Representatives has sixty members, all elected every two years.

The Legislature convenes its regular session in January of each odd-numbered year. The most recent session began January 14, 1985 and ended June 21, 1985. Session length is not prescribed by the Constitution, although it is usually of about six months' duration. The Legislature normally considers between 2,500 and 3,000 bills during a regular session and approximately 25 to 30 percent of these are enacted into law.

Special sessions of the Legislature may be called by the Governor or by a majority of each house to deal with emergency situations. Since 1970, the Legislature has held eleven special sessions which have lasted between one and 37 days. The Legislature has never exercised its right to call itself into special session.

The primary function of the Legislature is to enact laws, to provide a forum for public discussion, and to determine fiscal policy together with the Executive branch. Certain Executive decisions are subject to confirmation by the Legislature. In addition, since 1977, Oregon has had a "sunset" law under which certain agencies and programs are terminated unless their continuation is specifically approved by the Legislature.

The Oregon Constitution, Article IX, Section 6, provides that the state may not budget expenditures in excess of revenues. Therefore, the Legislative and Executive branches must provide a balanced budget. The Legislature reviews and revises the Governor's recommended budget and passes appropriation measures to provide revenues. Because the Legislature convenes biennially, the finances of the state are managed on a biennial basis. However, state law now requires that the Executive Department prepare a financial report of state operations at the end of each fiscal year. The first such report was prepared as of June 30, 1979.

Of significant importance in the Legislative branch is the Emergency Board, a joint legislative committee created by statute. The seventeen-member Emergency Board consists of the President of the Senate, Speaker of the House of Representatives, Co-Chairpersons of the Joint Ways and Means Committee, six other Senate members and seven other House members. The Emergency Board, which may schedule its own meetings, usually meets once each month during the interim between regular sessions.

Where an emergency exists, the Emergency Board may allocate to any state agency out of funds appropriated to the Board for that purpose, moneys in addition to those allocated by the Legislature. The Board may take other actions to meet emergency interim needs such as providing funding for an activity required by law, authorizing expenditures from dedicated or continuously appropriated funds, and approving funding for a new activity coming into existence at a time which would preclude submitting of a budget to the Legislature.

In addition, the Legislature has a variety of statutory and interim committees that function throughout the biennium. Principal statutory committees include: Legislative Counsel Committee, Legislative Administration Committee, Land Use Committee, Data Processing Committee, Senate Executive Appointment Committee, Joint Committee on Water Policy and Trade and Economic Development. The major interim committees are the Joint Interim Revenue Committee, Joint Interim Judiciary Committee, Interim Committee on Sunset Review, House Interim Committees, and Senate Interim Task Forces.

The Judicial Branch

The Judicial Branch consists of the Supreme Court, the Court of Appeals, the Tax Court, and Circuit and District Courts. The seven-justice Supreme Court was created and its jurisdiction defined by the Constitution. The Supreme Court has discretionary review of decisions of the Court of Appeals.

A five-judge Court of Appeals was created by the Legislature in 1969, expanded to six judges in 1973 and expanded to ten judges in 1977. The Court of Appeals has exclusive jurisdiction over all civil and criminal appeals from circuit and district courts and review of orders of state administrative agencies, Corrections Division disciplinary actions, and Board of Parole orders.

The one-judge Tax Court, created by the 1961 Legislature, has exclusive jurisdiction over tax-related matters. The Circuit Court is the state trial court of general jurisdiction, and the District Court is the trial court of limited jurisdiction.

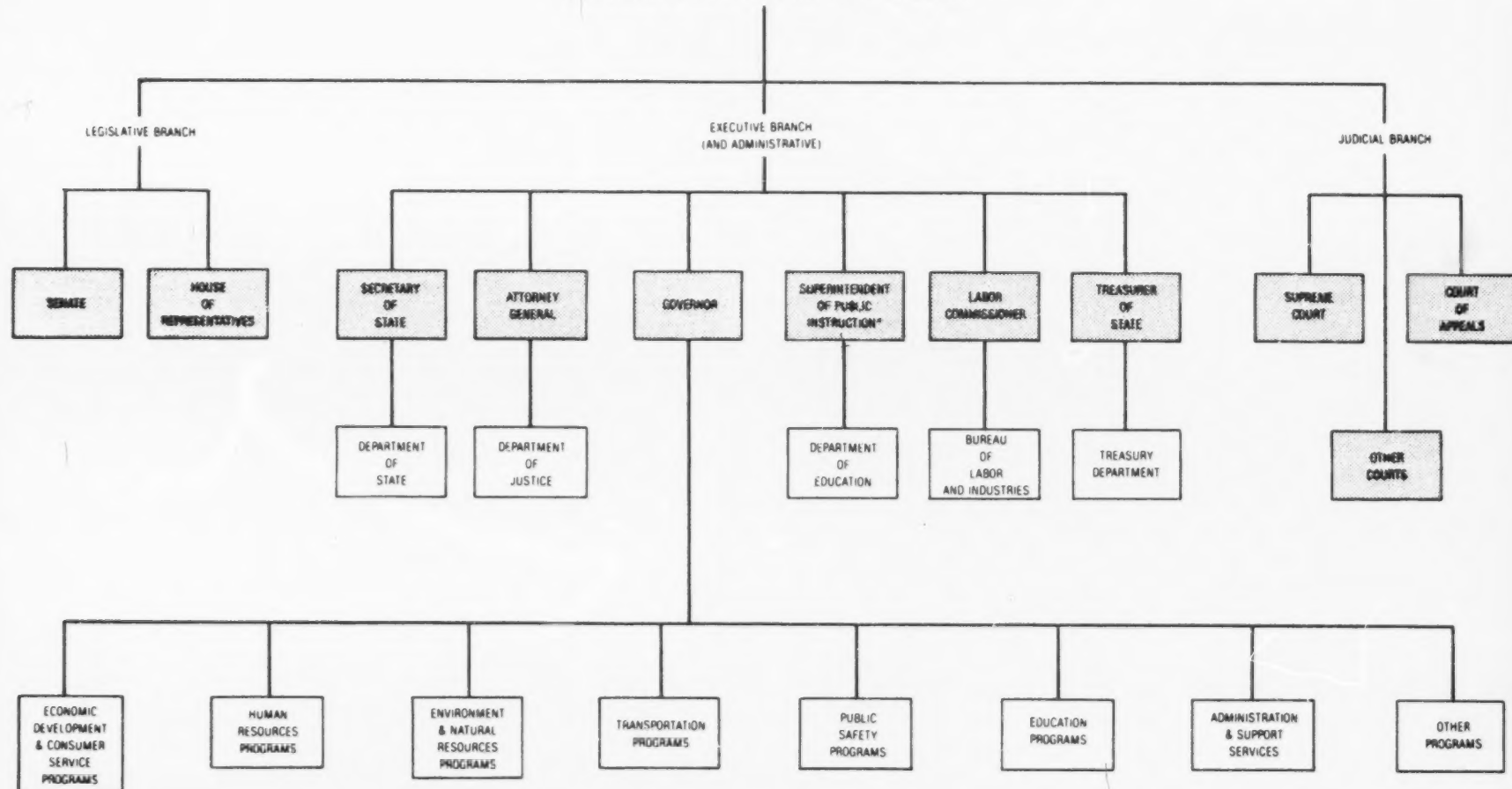
All judges are elected to six-year terms on a non-partisan ballot. The Chief Justice exercises administrative authority over the courts of Oregon.

Exhibit 1 summarizes the organization of state government in Oregon.

EXHIBIT 1

STATE OF OREGON
ORGANIZATION OF GOVERNMENT

THE PEOPLE OF THE STATE OF OREGON



1 - The Superintendent of Public Instruction reports to the State Board of Education, appointed by the Governor.
Source: State of Oregon, Executive Department

SHADING DEPICTS ELECTIVE OFFICES

STATE PROGRAM AREAS

Economic Development and Consumer Services

The rapid expansion of the Oregon economy since 1970 has resulted in increasing demands for a wide variety of public services related to consumer protection, business regulation and public safety in the commercial sector. These demands have been met through more effective operation of existing programs and through the consolidation of overlapping activities wherever possible. The common elements of the many State agencies in this program are the safety and protection of the Oregon public as consumers and producers, as employees and employers, and as savers and investors. In the area of economic development, a variety of local economic stimulation projects are intended to provide more job opportunities for Oregonians and to generally stimulate Oregon's economy. The Oregon Department of Economic Development is overseen by the Economic Development Commission and is active in international trade, port activities, industrial development incentive programs, and small business assistance.

Education and School Financing

The education program area includes the Department of Education, the Department of Higher Education, and educational support agencies. The Department of Education, acting under the direction of the State Board of Education, exercises all administrative functions of the State relating to supervision, management and control of public, elementary and secondary schools and community colleges. The Department of Higher Education provides direct educational services through the State colleges and universities. The activities of both Departments are coordinated by the Oregon Educational Coordinating Commission.

The Legislature appropriates funds to be distributed to local school districts in support of basic educational programs. The Legislature appropriated \$840 million for Basic School Support for the 1981-83 biennium, and \$880 million for the 1983-85 biennium. The Governor has proposed \$946.7 million for 1985-87.

Human Resources

Human resource agencies offer a variety of social services. Services offered include financial support to needy persons, medical care, protective services, and rehabilitation. Expenditures in these program areas continue to represent approximately 25% of the General Fund budget and 22% of the total state budget.

Natural Resources

The overall goal of the thirteen agencies in this program area is to conserve, develop, and protect the State's natural resources.

Public Safety

The overall goal for the public safety program area is a reduction in the amount of harm to individuals and damage to property caused by events of natural disasters, civil disorders, traffic accidents, criminal activities, and armed conflict. Other major objectives include improvement of criminal prosecution and consumer protection from fraudulent business practices.

Transportation

The transportation program area consists of the Department of Transportation, the Traffic Safety Commission, and the Travel Information Council. The basic goal of the Department of Transportation is to provide the State with systems of transportation which are safe, are environmentally compatible and provide for orderly economic growth. The objective of the Traffic Safety Commission is to promote traffic safety in Oregon through the use of Federal grants to State agencies and local governments. The Travel Information Council develops and maintains a Motorist Information and Sign Plaza Program and promulgates regulations to control on-premise signs and signs in unzoned commercial and industrial areas. Part of its functions were transferred to the Economic Development Department as a result of 1983 legislation.

Administration and Support Services

This program area includes those agencies which provide either executive leadership or administrative and planning support services to line agencies. The state's tax relief programs are included within this program area because they are administered by the Department of Revenue.

Legislative Branch

The Legislative Branch is comprised of the Legislative Assembly and the permanent and temporary legislative committees. The bicameral ninety member Oregon Legislative Assembly convenes in odd-numbered years in regular legislative session. Permanent statutorily established legislative committees provide special staff services to the Legislature. The Legislative Branch also includes the Emergency Board.

Judicial Branch

The judicial program area is comprised of the state supported portion of the Judicial Branch of government to ensure an effective judicial system for the State. On October 24, 1981 a special session of the Legislature was called to provide financing necessary for the state to assume greater responsibility over the administration of district and circuit courts.

STATE BUDGETARY PROCESS

The Oregon budget is approved on a biennial basis by separate appropriation measures. Although the Governor recommends a budget, no omnibus budget measure is approved. Biennia begin July 1 and end June 30 of odd-numbered years. Measures are passed for the approaching biennium during each regular Legislative session, held beginning in January of odd-numbered years. However, the budgeting process begins several months prior to the beginning of a biennium.

The budgeting process begins with the development of a tentative budget as an internal document in the Executive Department. The early budget forecasts three levels of expenditures based upon current law and three levels of expenditure based upon passage of pending ballot measures. Expenditure estimates are based on a range from maintaining present spending to providing for growth of existing programs or expanding programs, all adjusted for inflation. Revenues in the internal budget are also forecast in a range. Oregon law (ORS 291.208) requires each agency to submit budget requests to the Executive Department prior to September 1 of each even-numbered year. During the fall, these budget requests are reviewed and budget hearings are held by the Executive Department and the Governor.

The Governor's budget recommendations to the Legislature must be completed by early November in order to meet the December 1 statutory deadline for distribution of printed copies to the Legislature. Appropriation bills for each agency are prepared separately and filed during December so that when the Legislature convenes in January the Joint Ways and Means Committee can begin consideration of each bill.

Service as staff to the Ways and Means Committee, the Legislative Fiscal Office analyzes each budget. Public hearings are held by Ways and Means subcommittees before the recommended budget bills are referred to the full Legislature for a final vote.

The Governor may veto any bill, but may not veto particular line items, except in appropriation bills. The Governor's veto may be overridden by a two-thirds vote of the Legislature.

Because the Oregon Legislature meets in regular session for approximately six months of each biennium, provision is made for interim funding through the Legislative Emergency Board. The Emergency Board is authorized to make allocations of General fund moneys to state agencies from the State Emergency Fund. The Emergency Board may also authorize increases in expenditure limitations from Other or Federal Funds, (dedicated or continuously appropriated funds) and may take other actions to meet emergency needs when the Legislature is not in session.

The most significant feature of the budgeting process in Oregon is the constitutional requirement that the budget be in balance at the end of each biennium. Article IX, Section 6 of the Oregon Constitution states that "whenever the expenses, of any fiscal year, shall exceed the income, the Legislative Assembly shall provide for levying a tax, for the ensuing fiscal year, sufficient, with other sources of income, to pay the deficiency, as well as the estimated expense of the ensuing fiscal year." Because of this provision, Oregon may not budget a deficit and is required to alleviate any revenue shortfalls within each biennium.

The biennial budget used in Oregon makes it more difficult to accurately forecast revenues and expenditures than in an annual budget cycle. At the same time, a biennial period allows more time for correction in the event a revenue shortfall occurs. As the following sections indicate, efforts are being made to develop and refine a forecasting system which combines fiscal conservatism and long-range planning.

FINANCIAL SECTION

GENERAL PURPOSE
FINANCIAL STATEMENTS

GENERAL PURPOSE FINANCIAL STATEMENTS

These financial statements provide a summary overview of the financial position of all funds and account groups and operating results of all funds. The Notes to the Financial Statements include a summary of significant accounting policies and other notes considered necessary for fair disclosure.

BARBARA ROBERTS
SECRETARY OF STATE



AUDITS DIVISION
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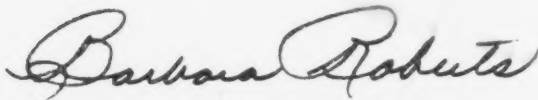
We have examined the combined financial statements of the State of Oregon, as listed in the foregoing table of contents under the caption General Purpose Financial Statements, as of, and for the year ended June 30, 1985. Our examination was made in accordance with generally accepted governmental auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the combined financial statements referred to above present fairly the financial position of the State of Oregon at June 30, 1985, and the results of its operations and the changes in financial position of its proprietary fund types and similar trust funds, for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for changes, with which we concur, as described in Note 1-1. to the financial statements, in the methods of accounting for deferred compensation, a wholly owned subsidiary, agency funds, and certain general fund revenue transactions, and after giving retroactive effect to changes, also with which we concur, in the method of accounting for compensated absences and college and university funds, as described in Note 1-1. to the financial statements.

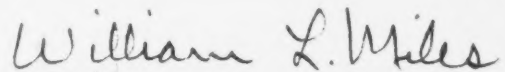
Our examination was made solely for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining, individual fund and account group financial statements, schedules and accompanying supplemental financial information listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the combined financial statements of the State of Oregon. This information has not been subjected to the auditing procedures applied in the examination of the combined financial statements and accordingly, we do not express any opinion with regard to its relationship to the combined financial statements taken as a whole. However, we noted that the combining

budget comparison statements present information by fund type, rather than by individual fund as required for comprehensive annual financial reports. Also, reference is made on combining, individual fund and account group financial statements, schedules and accompanying supplemental financial information to notes of the combined financial statements. Such reference should not be construed to imply that any auditing procedures have been applied to them.

The other data included in this report, designated as the statistical section in the table of contents, has not been audited by us and, accordingly, we express no opinion on such data.



Secretary of State
and
Auditor of Public Accounts



Certified Public Accountant
and Director
Division of Audits

November 1, 1985

STATE OF OREGON
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

(Expressed in Thousands)

ASSETS	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Cash on Hand and in Banks	\$ -	\$ 81	\$ -	\$ -
Cash and Pooled Investments (Note 2)	240,026	177,881	28,055	(361)
Cash with Fiscal Agent	-	-	6,611	-
Investments - State Treasury (Note 1f, 2)	-	92,496	-	-
Investments - Other (Note 2)	-	71	-	-
Securities Held in Trust	-	-	-	-
Receivables (Note 1g)	15,435	122,408	2,328	40
Interfund Receivables (Note 12)	24,161	92,050	828	2,572
Inventories (Note 1h)	12,168	18,841	-	-
Prepaid and Deferred Expenses	8	511	-	-
Discount/Underwriter's Cost of Bonds Sold	-	-	-	-
Contracts, Mortgages, and Notes Receivable	5,476	183,991	453	130
Taxes Receivable	174,922	-	-	-
Land, Buildings and Improvements (Note 1i, 4, 5, 6)	-	-	-	-
Leasehold Improvements (Note 1i, 4, 5, 6)	-	-	-	-
Capital Leases (Note 1i, 4, 5, 6)	-	-	-	-
Construction in Process (Note 1i, 4, 5, 6)	-	-	-	-
Equipment and Machinery (Note 1i, 4, 5, 6)	-	-	-	-
Data Processing Software (Note 1i, 4, 5, 6)	-	-	-	-
Allowance for Depreciation (Note 1j)	-	-	-	-
Amounts Available for Retirement of L-T Debt	-	-	-	-
Amounts To be Provided for Retirement of L-T Obligations	-	-	-	-
Total Assets	\$472,196	\$688,330	\$38,275	\$2,381
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts and Interest Payable	\$193,787	\$123,798	\$ 321	\$1,321
Interfund Payables (Note 12)	18,806	108,941	-	672
Due to Other Governments	-	-	-	-
Notes and Bonds Payable - Current (Note 11)	-	-	-	-
Vacation Payable - short-term (Note 9)	3,570	4,368	-	-
Trust Funds Payable	-	1,996	-	-
Lease Purchase Contracts Payable	-	-	-	-
Contract, Mortgages, and Notes Payable (Note 14)	-	-	-	-
Obligation Under Capital Lease	-	-	-	-
Advances from General Fund	-	-	-	-
Matured Bonds Payable	-	-	6,645	-
General Obligation Bonds Payable (Note 11)	-	-	-	-
Revenue Bonds Payable (Note 11)	-	-	-	-
Premium on Bonds	-	-	-	-
Vacation Payable - long-term (Note 9)	-	-	-	-
Deferred Income (Note 1k)	153,488	197,208	453	130
Trust Funds Payable - Reserves	-	-	-	-
Total Liabilities	\$369,651	\$436,311	\$ 7,419	\$2,123
Fund Equity				
Contributed Capital	\$ -	\$ -	\$ -	\$ -
Reserve for Inventories	12,168	18,841	-	-
Reserve for Revolving Accounts	-	1,562	-	-
Reserve - Other	8	30	-	-
Reserve for Trust Funds	-	-	-	-
Invested in Fixed Assets	-	-	-	-
Retained Earnings - Unreserved	-	-	-	-
Fund Balance - Unreserved	90,369	231,586	30,856	258
Total Fund Equity (Note 1m)	\$102,545	\$252,019	\$30,856	\$ 258
Total Liabilities and Equity	\$472,196	\$688,330	\$38,275	\$2,381

PROPRIETARY FUND TYPES		FIDUCIARY	COLLEGE AND UNIVERSITY FUND TYPES	ACCOUNT GROUPS		TOTALS (MEMO ONLY)	
ENTERPRISE	INTERNAL SERVICE	FUND TYPES TRUST AND AGENCY		GEN. FIXED ASSETS	GEN. LONG TERM DEBT	JUNE 30	
						1985	1984
\$ 21	\$ -	\$ 47,400	\$ -	\$ -	\$ -	\$ 47,502	\$ 53,979
231,667	28,248	912,638	34,731	-	-	1,652,885	1,170,353
-	-	-	-	-	-	6,611	3,030
1,181,324	20,341	4,754,802	77,190	-	-	6,126,153	5,415,567
231,803	-	5,376	1,343	-	-	238,593	152,943
-	-	648,028	-	-	-	648,028	604,931
183,623	14,504	217,575	46,825	-	-	602,738	552,323
413	21	41,535	85	-	-	161,665	436,467
23,350	8,766	32	7,130	-	-	70,287	64,440
41	26	-	2,880	-	-	3,466	1,745
21,767	-	-	-	-	-	21,767	18,490
5,412,168	-	48,493	63,086	-	-	5,713,797	5,894,723
-	-	-	-	-	-	174,922	-
69,197	67,576	2,635	467,178	296,344	-	902,930	872,492
107	629	-	-	957	-	1,693	5,072
501	1,183	-	-	450	-	2,134	-
1,118	4,195	-	6,208	7,782	-	19,303	17,169
23,957	110,008	1,139	298,693	132,445	-	566,242	496,551
-	159	-	-	320	-	479	-
(42,896)	(80,689)	(184)	(33,143)	-	-	(156,912)	(145,021)
-	-	-	-	-	30,856	30,856	26,451
-	-	-	-	-	205,019	205,019	289,993
<u>\$7,338,161</u>	<u>\$174,967</u>	<u>\$6,679,469</u>	<u>\$972,206</u>	<u>\$438,298</u>	<u>\$235,875</u>	<u>\$17,040,158</u>	<u>\$15,931,698</u>
\$ 215,984	\$ 12,026	\$ 30,834	\$ 18,838	\$ -	\$ -	\$ 596,909	\$ 455,872
22,786	7,143	3,232	85	-	-	161,665	436,467
-	-	74,804	106	-	-	74,910	-
557,000	-	-	-	-	-	557,000	506,953
1,570	696	85	-	-	-	10,289	10,289
1,448	39	1,352,389	3,533	-	-	1,359,405	1,021,291
-	4,393	1	-	-	1,767	6,161	-
4,414	19,781	-	124	-	7,642	31,961	43,094
527	1,662	-	2,407	-	10	4,606	1,879
-	1,454	-	-	-	621	2,075	140
-	-	-	-	-	-	6,645	3,070
4,961,105	-	-	139,083	-	207,855	5,308,043	5,406,856
499,274	-	-	-	-	-	499,274	454,874
16,989	-	-	-	-	-	16,989	18,887
3,065	1,644	97	10,196	-	17,980	32,982	32,917
2,258	286	25,197	11,519	-	-	390,539	440,222
791,609	-	-	-	-	-	791,609	726,085
<u>\$7,078,029</u>	<u>\$ 49,124</u>	<u>\$1,486,639</u>	<u>\$185,891</u>	<u>\$ -</u>	<u>\$235,875</u>	<u>\$ 9,851,062</u>	<u>\$ 9,558,896</u>
\$ -	\$ 57,747	\$ -	\$ -	\$ -	\$ -	\$ 57,747	\$ 58,773
-	-	-	-	-	-	31,009	29,058
-	-	-	-	-	-	1,562	1,506
-	-	4,889,824	-	-	-	38	134
-	-	119	-	-	-	4,889,824	4,167,488
260,132	68,096	-	-	438,298	-	438,417	911,909
-	-	302,887	786,315	-	-	328,228	544,614
-	-	-	-	-	-	1,442,271	659,320
<u>\$ 260,132</u>	<u>\$125,843</u>	<u>\$5,192,830</u>	<u>\$786,315</u>	<u>\$438,298</u>	<u>\$ -</u>	<u>\$ 7,189,096</u>	<u>\$ 6,372,802</u>
<u>\$7,338,161</u>	<u>\$174,967</u>	<u>\$6,679,469</u>	<u>\$972,206</u>	<u>\$438,298</u>	<u>\$235,875</u>	<u>\$17,040,158</u>	<u>\$15,931,698</u>

See letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY - ALL GOVERNMENTAL FUND TYPES AND
EXPENDABLE TRUST FUNDS

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	EXPENDABLE TRUST
<u>Revenue</u>					
Income Taxes	\$1,325,149	\$ -	\$ -	\$ -	\$ -
Selective Sales and Use Taxes	52,734	212,435	1,534	-	-
Gross Receipts Business Taxes	38,268	5,359	-	-	-
Employer-Employee Taxes	-	108,759	-	-	287,846
Inheritance and Gift Taxes	29,201	-	-	-	-
Severance Taxes	2,049	358	-	-	-
Other Taxes	-	13,756	-	-	941
Business Licenses and Fees	5,171	19,545	-	-	-
Nonbusiness Licenses and Fees	1,145	92,668	-	193	-
Federal Revenue	118	930,569	-	-	36,498
Charges for Services	6,142	82,228	-	-	399
Fines and Forfeitures	20,287	878	-	-	-
Rents and Royalties	132	3,362	-	2	-
Interest Income	24,564	18,298	10,303	18	20,936
Sales Income	3,437	32,292	-	63	-
Donations and Grants (Nonfederal)	-	2,867	-	-	453
Other Revenue	12,859	7,086	-	21	642
Total Revenue	\$1,521,256	\$1,530,460	\$11,837	\$ 297	\$347,715
<u>Other Financing Sources (Uses)</u>					
Transfers-in	\$ 34,264	\$ 893,476	\$23,148	\$ 9,212	\$ 4,882
Transfers-out	(923,842)	(252,152)	(44)	10	(1,283)
Bond Proceeds	-	-	-	-	-
Loan Repayments/Proceeds	729	15,739	4,219	19	73
Leases Incurred	-	310	-	-	-
Total Other Financing Sources (Uses)	\$ (888,849)	\$ 657,373	\$27,323	\$ 9,241	\$ 3,672
Total Revenue and Other Financing Sources (Uses)	\$ 632,407	\$2,187,833	\$39,160	\$ 9,538	\$351,387
<u>Expenditures</u>					
Personal Services	\$ 242,320	\$ 322,662	\$ -	\$ 106	\$ 1,608
Services and Supplies	94,827	466,596	88	469	2,719
Capital Outlay	11,651	14,868	-	8,036	48
Special Payments	324,207	1,376,944	77	-	277,951
Debt Service	168	65	40,839	-	-
Other	-	-	-	-	-
Total Expenditures	\$ 673,173	\$2,181,135	\$41,004	\$ 8,611	\$282,326
Excess (Deficiency) of Revenue Over Expenditures	\$ (40,766)	\$ 6,698	\$ (1,844)	\$ 927	\$ 69,061
Fund Equity previously reported	\$ 145,514	\$ 288,427	\$26,451	\$ 9,351	\$240,968
Cumulative effect on prior years restatement for accounting change:					
Higher Education	-	(32,935)	(471)	(5,532)	(1,932)
Compensated Absences	(3,570)	(4,368)	-	-	-
Fund Equity Beginning (restated) (Note 1-1)	\$ 141,944	\$ 251,124	\$25,980	\$ 3,819	\$239,036
Increase (Decrease) in Reserves					
Inventories	1,396	2,112	-	-	-
Investment in Fixed Assets	-	57	-	-	8
Revolving Accounts	-	(14)	-	-	-
Other	(29)	-	-	-	-
Prior Period Adjustments	-	(7,958)	6,720	(4,488)	(5,099)
Fund Equity - Ending	\$ 102,545	\$ 252,019	\$30,856	\$ 258	\$303,006

TOTALS		(MEMO ONLY)
YEAR ENDED JUNE 30		
1985		1984

\$1,325,149	\$1,365,762
266,703	256,218
43,627	38,534
396,605	360,347
29,201	33,705
2,407	1,803
14,697	1,282
24,716	27,496
94,006	89,374
967,185	793,679
88,769	98,211
21,165	19,945
3,496	3,293
74,119	72,390
35,792	78,984
3,320	3,020
20,608	29,737

<u>\$3,411,565</u>	<u>\$3,273,780</u>
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\$ 964,982	\$ 949,078
(1,177,311)	(1,592,740)
-	(27)
20,779	4,347
310	-

<u>\$ (191,240)</u>	<u>\$ (639,342)</u>
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<u>\$3,220,325</u>	<u>\$2,634,438</u>
--------------------	--------------------

\$ 566,696	\$ 541,419
564,699	503,582
34,603	22,643
1,979,179	1,362,494
41,072	26,177
-	4

<u>\$3,186,249</u>	<u>\$2,456,319</u>
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<u>\$ 34,076</u>	<u>\$ 178,119</u>
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\$ 710,711	\$ 546,425
------------	------------

(40,870)	(55,664)
<u>(7,938)</u>	<u>(7,938)</u>

\$ 661,903	\$ 482,823
------------	------------

-	-
3,508	(1,823)
65	(1,231)
(14)	7
(29)	17

<u>(10,825)</u>	<u>3,991</u>
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<u>\$ 688,684</u>	<u>\$ 661,903</u>
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See letter of transmittal for comments.

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

(Expressed in Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	
	ENTERPRISE	INTERNAL SERVICE	PENSION TRUST	NONEXPENDABLE TRUST
<u>Sales Income</u>	\$187,018	\$ 21,973	\$ -	\$ 12,195
<u>Cost of Goods Sold</u>	(71,478)	(12,868)	-	-
<u>Gross Profit on Sales</u>	\$115,540	\$ 9,105	\$ -	\$ 12,195
<u>Other Income</u>				
Contributions	\$ -	\$ -	\$ 419,128	\$ -
Taxes and Licenses	13,431	11	-	53
Federal Revenue	1,440	-	-	-
Charges for Services	232,805	118,842	-	61
Rents and Royalties	1,241	11,799	-	1,389
Fines and Forfeitures	62	-	-	-
Interest Income	554,331	3,369	583,734	15,187
Donations and Grants (Nonfederal)	135	15	-	160
Other Revenue	4,595	3,554	-	964
Loss on Foreclosed Property (Net)	(27,674)	-	-	-
Gain on Defeasance	-	-	-	-
Allowance for Returns	(1,933)	-	-	-
Fees Waived	(48,418)	-	-	-
Gain (Loss) on Sale of Equipment	-	320	(2)	64
<u>Total Other Income</u>	\$730,015	\$137,910	\$1,002,860	\$ 17,878
<u>Total Income</u>	\$845,555	\$147,015	\$1,002,860	\$ 30,073
<u>Operating Expenses</u>				
Salaries and Wages	\$119,099	\$ 48,700	\$ 1,718	\$ 1,113
Services and Supplies	67,094	79,931	1,024	582
Special Payments	235,695	-	-	-
Depreciation/Amortization	3,689	11,592	32	-
Benefit Payments	-	-	231,694	-
Distribution to Governments	-	-	-	15,543
Interest Expense	439,947	836	-	-
<u>Total Expenses</u>	\$865,524	\$141,059	\$ 234,468	\$ 17,238
<u>Net Income (Loss) From Operations</u>	\$ (19,969)	\$ 5,956	\$ 768,392	\$ 12,835
<u>Operating Transfers</u>				
Operating Transfers-in	\$ 20,331	\$ 1,370	\$ 305	\$ 434
Operating Transfers-out	(61,704)	(331)	(6)	(2,997)
<u>Total Operating Transfers</u>	\$ (41,373)	\$ 1,039	\$ 299	\$ (2,563)
<u>Net Income (Loss)</u>	\$ (61,342)	\$ 6,995	\$ 768,691	\$ 10,272
<u>Fund Equity previously reported</u>	\$464,663	\$143,368	\$4,021,575	\$145,913
Cumulative effect on prior years restatement for accounting change:				
Deferred Compensation	-	-	(31,271)	-
Higher Education	(146,140)	(25,282)	-	(25,966)
Compensated Absences	(4,570)	(2,340)	(85)	(116)
<u>Fund Equity - Beginning (restated)(Note 1-1)</u>	\$313,953	\$115,746	\$3,990,219	\$119,831
Increased Value of Investments	-	-	-	-
Prior Period Adjustment	7,521	3,102	-	811
<u>Fund Equity - Ending</u>	\$260,132	\$125,843	\$4,758,910	\$130,914

TOTALS		(MEMO ONLY)	
YEAR ENDED JUNE 30,			
1985		1984	
\$ 221,186		\$ 136,500	
<u>(84,346)</u>		<u>(90,590)</u>	
\$ 136,840		\$ 45,910	
\$ 419,128		\$ 391,321	
13,495		13,162	
1,440		447	
351,708		365,397	
14,429		15,157	
62		110	
1,156,621		952,768	
310		3	
9,113		1,032	
(27,674)		(18,661)	
-		559	
(1,933)		-	
(48,418)		(32,335)	
<u>382</u>		<u>(542)</u>	
\$1,888,663		\$1,688,418	
\$2,025,503		\$1,734,328	
\$ 170,630		\$ 163,824	
148,631		130,076	
235,695		194,913	
15,313		13,059	
231,694		197,068	
15,543		14,037	
<u>440,783</u>		<u>431,799</u>	
\$1,258,289		\$1,144,776	
\$ 767,214		\$ 589,552	
\$ 22,440		\$ 167,218	
<u>(65,038)</u>		<u>(153,302)</u>	
\$ (42,598)		\$ 13,916	
\$ 724,616		\$ 603,468	
\$4,775,519		\$3,810,099	
(31,271)		(31,271)	
(197,388)		(6,842)	
<u>(7,111)</u>		<u>(7,111)</u>	
\$4,539,749		\$3,764,875	
-		7,074	
<u>11,434</u>		<u>164,332</u>	
\$5,275,799		\$4,539,749	

See letter of transmittal for comments.

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS

(Expressed in Thousands)

	PROPRIETARY FUND TYPES ENTERPRISE	INTERNAL SERVICE	FIDUCIARY FUND TYPES PENSION TRUST	NONEXPENDABLE TRUST
<u>Sources of Working Capital</u>				
Operations:				
Net Income (Loss)	\$(61,342)	\$ 6,995	\$768,691	\$10,272
Items Not Requiring (Providing)				
Working Capital				
Depreciation	3,689	11,592	32	-
Amortized Bond Discounts/Costs/Premiums	(448)	-	-	-
Accreted Interest	970	-	-	-
Total Provided by Operations	\$(57,131)	\$18,587	\$768,723	\$10,272
Payables Reclassified to Long-Term	7,601	-	-	-
Contributed From Another Fund	-	4,127	-	-
Disposal of Property and Equipment	4,320	306	-	2
Sale of Bonds	227,369	-	-	-
Loan Proceeds	-	905	-	-
Loan Repayments	358,802	-	-	-
Other Miscellaneous	1,563	-	-	-
Prior Period Adjustment	-	-	-	811
Increased Valuation of Investments	5,991	-	-	-
Increase in Loss Reserves	71,180	-	-	-
Loan Reductions - Foreclosures	135,167	-	-	-
Total Provided	\$754,862	\$23,925	\$768,723	\$11,085
<u>Uses of Working Capital</u>				
Bonds Reclassified as Current Liabilities	\$ 16,500	\$ -	\$ -	\$ -
Retirement of Bonds	232,510	-	-	-
Loans Made	439,190	-	-	-
Construction of Buildings	4,314	-	-	-
Acquisition of Property and Equipment	9,628	16,876	70	96
Payment of Other Long-Term Liabilities	5,244	7,539	-	2
Purchase Capital Lease/Leasehold	-	-	-	-
Other	6,437	-	-	19
Premium and Discounts on Bonds	2,754	-	-	-
Decrease in Unearned Premium Reserve	3,958	-	-	-
Total Applied	\$720,535	\$24,415	\$ 70	\$ 117
Net Increase (Decrease) in Working Capital	\$ 34,327	\$ (490)	\$768,653	\$10,968
<u>Elements of Net Increase (Decrease) in Working Capital</u>				
Cash	\$ 77,294	\$ 5,812	\$(12,573)	\$(2,254)
Investments	76,149	(5,170)	717,350	15,377
Receivables	(10,177)	971	(2,301)	144
Inventories	1,873	582	(29)	(7)
Prepaid Expenses	(333)	(328)	-	-
Payables	(121,702)	(2,074)	66,206	(2,230)
Trust Funds Payable	12,353	-	-	-
Deferred Income	(1,130)	(283)	-	(62)
Net Increase (Decrease) in Working Capital	\$ 34,327	\$ (490)	\$768,653	\$10,968

TOTALS		(MEMO ONLY)
YEAR ENDED JUNE 30,		
1985		1984

\$ 724,616	\$ 603,468
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15,313	13,059
(448)	-
970	-

\$ 740,451	\$ 616,527
------------	------------

7,601	-
4,127	1,704
4,628	1,455
227,369	37,173
905	-
358,802	341,281
1,563	1,132
811	-
5,991	7,074
71,180	61,032
135,167	89,516

<u>\$1,558,595</u>	<u>\$1,156,894</u>
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\$ 16,500	\$ 210,500
232,510	252,316
439,190	429,270
4,314	27,953
26,670	17,644
12,785	81
-	4,860
6,456	1,121
2,754	1,897
3,958	15,733

\$ 745,137	\$ 961,375
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<u>\$ 813,458</u>	<u>\$ 195,519</u>
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\$ 68,279	\$ 25,357
803,706	540,322
(11,363)	51,998
2,419	1,887
(661)	(7,823)
(59,800)	(461,613)
12,353	45,214
(1,475)	177

<u>\$ 813,458</u>	<u>\$ 195,519</u>
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See letter of transmittal for comments.

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY - ALL COLLEGE AND
UNIVERSITY FUND TYPES

(Expressed in Thousands)

	CURRENT FUNDS	FIDUCIARY FUNDS	PLANT FUNDS	TOTALS (MEMO ONLY) YEAR ENDED JUNE 30, 1985
<u>Revenue</u>				
Federal Revenue	\$110,521	\$ 776	\$ 3,118	\$114,415
Charges for Services	291,643	-	2,273	293,916
Fines and Forfeitures	500	-	-	500
Rents and Royalties	310	2	22	334
Interest Income	4,757	1,173	7,162	13,092
Donations and Grants (Nonfederal)	34,140	1,124	192	35,456
Other Revenue	19,681	558	9,093	29,332
Total Revenue	\$461,552	\$ 3,633	\$ 21,860	\$487,045
<u>Other Financing Sources (Uses)</u>				
Transfers-in	\$251,912	\$ 735	\$ 23,178	\$275,825
Transfers-out	(18,510)	(570)	(10,792)	(29,872)
Loan Repayments/Proceeds	-	-	-	-
Increase in Fixed Assets	-	-	40,388	40,388
Decrease in Bonds Payable	-	-	8,168	8,168
Total Other Financing Sources (Uses)	\$233,402	\$ 165	\$ 60,942	\$294,509
Total Revenue and Other Financing Sources (Uses)	\$694,954	\$ 3,798	\$ 82,802	\$781,554
<u>Expenditures</u>				
Personal Services	\$430,506	\$ -	\$ 55	\$430,561
Services and Supplies	179,116	173	2,696	181,985
Capital Outlay	28,900	-	13,429	42,329
Special Payments	37,967	-	-	37,967
Debt Service	373	-	15,711	16,084
Other	-	-	-	-
Total Expenditures	\$676,862	\$ 173	\$ 31,891	\$708,926
Excess (Deficiency) of Revenue Over Expenditures	\$ 18,092	\$ 3,625	\$ 50,911	\$ 72,628
Fund Equity previously reported	\$ -	\$ -	\$ -	\$ -
Cumulative effect on prior years restatement for accounting change:				
Higher Education	32,962	88,069	602,852	723,883
Compensated Absences	(10,196)	-	-	(10,196)
Fund Equity Beginning (restated) (Note 1-1)	\$ 22,766	\$88,069	\$602,852	\$713,687
Fund Equity - Ending	\$ 40,858	\$91,694	\$653,763	\$786,315

See letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL FUND TYPES

(Expressed in Thousands)

Page 1 of 3

	GENERAL FUND			
	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
Revenue				
Income Taxes	\$2,795,624	\$1,365,762	\$1,473,286	\$ 43,424
Selective Sales and Use Taxes	106,936	53,153	52,734	(1,049)
Gross Receipts Business Taxes	71,650	34,126	38,268	744
Employer-Employee Taxes	-	-	-	-
Inheritance and Gift Taxes	64,489	33,705	29,201	(1,583)
Severance Taxes	-	1,802	2,049	3,851
Other Taxes	5,000	401	-	(4,599)
Business Licenses and Fees	10,432	4,682	5,171	(579)
Nonbusiness Licenses and Fees	13,454	2,316	1,145	(9,993)
Federal Revenue	-	106	118	224
Charges for Services	11,654	5,939	6,142	427
Fines and Forfeitures	24,544	18,650	20,287	14,393
Rents and Royalties	-	135	132	267
Interest Income	39,782	29,431	24,564	14,213
Sales Income	71,965	36,857	3,437	(31,671)
Donations and Grants (Nonfederal)	-	-	-	-
Contributions	-	-	-	-
Other Revenue	32,285	12,752	12,859	(6,674)
Total Revenue	\$3,247,815	\$1,599,817	\$1,669,393	\$ 21,395
Expenditures				
Personal Services	\$ 484,140	\$ 229,678	\$ 242,757	\$ 11,705
Services and Supplies	180,748	81,498	95,058	4,192
Capital Outlay	12,659	5,304	11,094	(3,739)
Special Payments	2,015,894	966,669	1,000,265	48,960
Debt Service	-	-	-	-
Total Expenditures	\$2,693,441	\$1,283,149	\$1,349,174	\$ 61,118
Excess (Deficiency) of Revenues Over Expenditures	\$ 554,374	\$ 316,668	\$ 320,219	\$ 82,513
Other Financing Sources (Uses)				
Nonlimited Expenditures	-	-	-	-
Nonlimited Revenues	-	-	-	-
Operating Transfers-in - Interfund	-	415	34,324	34,739
Operating Transfers-out - Interfund	(464,008)	(221,764)	(247,955)	(5,711)
Transfers Out - Other	-	-	-	-
Transfers to Counties and Cities	-	-	-	-
Bond Sales/Loan Proceeds	-	-	-	-
Loan Repayments	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ 90,366	\$ 95,319	\$ 106,588	\$111,541
Fund Equity previously reported		\$ 55,581	\$ 145,514	
Cumulative effect on prior years restatement for accounting change:				
Deferred Compensation		-	-	-
Higher Education		-	-	-
Compensated Absences		(3,570)	(3,570)	-
Fund Equity Beginning (restated)		\$ 52,011	\$ 141,944	
Transactions Recorded During The Year But Charged to Prior Biennia				
Revenue		(443)	188	
Expenditures		(5,771)	(265)	
Increase (Decrease) in Reserves				
Inventories		819	1,396	
Revolving Accounts		-	-	
Other		9	(29)	
GAAP Reclassification of fund equity			(147,277)	
Depreciation and Amortization		-	-	
Net Increase in Investment in Plant		-	-	
Prior Period Adjustments		-	-	
Fund Equity Ending		\$ 141,944	\$ 102,545	

SPECIAL REVENUE FUNDS

1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ -
125,010	23	193,540	68,553
9,757	4,409	5,359	11
76,694	50,152	53,942	27,400
-	-	358	358
-	-	13,756	13,756
66,365	22,761	19,679	(23,925)
105,284	27,869	92,347	14,932
1,582,845	716,645	820,392	(45,808)
124,371	65,919	77,615	19,163
1,545	1,111	530	96
4,226	3,119	3,438	2,331
9,458	14,237	12,903	17,682
84,752	32,890	30,636	(21,226)
5,117	1,809	2,796	(512)
-	-	-	-
62,637	33,808	7,132	(21,697)

\$2,258,061 \$ 974,752 \$1,334,423 \$ 51,114

\$ 677,749	\$ 308,062	\$ 319,684	\$ 50,003
927,781	355,229	398,437	174,115
18,985	6,208	14,528	(1,751)
1,062,211	408,829	510,386	142,996
-	16	(16)	-

\$2,686,726 \$1,078,344 \$1,243,019 \$ 365,363

\$ (428,665) \$ (103,592) \$ 91,404 \$ 416,477

-	(837,557)	(675,294)	(1,512,851)
-	776,024	651,647	1,427,671
830,038	443,981	705,779	319,722
(293,215)	(152,768)	(484,950)	(344,503)
(3,704)	-	(195,382)	(191,678)
(172,792)	(87,052)	(97,368)	(11,628)
60,000	-	14,608	(45,392)
-	49	36	85

\$ (8,338) \$ 39,085 \$ 10,480 \$ 57,903

\$ 231,261 \$ 288,427

(7,726) (32,935)
(4,368) (4,368)

\$ 219,167 \$ 251,124

(4,932) 1,041
(4,231) (59)

(2,616) 2,112
7 57
(171) (14)

- (4,764)

4,815 (7,958)

\$ 251,124 \$ 252,019

DEBT SERVICE FUNDS

1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ -
2,803	1,413	1,534	144
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

\$ 2,803 \$ 1,413 \$ 1,534 \$ 144

\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
29,159	8,176	20,985	(2)

\$ 29,159 \$ 8,176 \$ 20,985 \$ (2)

\$ (26,356) \$ (6,763) \$ (19,451) \$ 142

-	(13,350)	(20,019)	(33,369)
-	14,370	17,694	32,064
27,019	6,517	19,928	(574)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

\$ 663 \$ 774 \$ (1,848) \$ (1,737)

\$ 54,084 \$ 26,451

(28,380) (471)

\$ 25,704 \$ 25,980

(498) 4

- -

- -

- 6,720

\$ 25,980 \$ 30,856

See letter of transmittal for comments.

The notes to the financial statements are an integral part of this report. 19

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL FUND TYPES

(Expressed in Thousands)

Page 2 of 3

	CAPITAL PROJECTS FUND			VARIANCE FAVORABLE (UNFAVORABLE)
	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	
Revenue				
Income Taxes	\$ -	\$ -	\$ -	\$ -
Selective Sales and Use Taxes	-	-	-	-
Gross Receipts Business Taxes	-	-	-	-
Employer-Employee Taxes	-	-	-	-
Inheritance and Gift Taxes	-	-	-	-
Severance Taxes	-	-	-	-
Other Taxes	-	-	-	-
Business Licenses and Fees	-	-	-	-
Nonbusiness Licenses and Fees	117	4	(4)	(117)
Federal Revenue	5,242	196	187	(4,859)
Charges for Services	-	4	2	6
Fines and Forfeitures	-	-	-	-
Rents and Royalties	-	1	2	3
Interest Income	-	-	13	13
Sales Income	272	198	81	7
Donations and Grants (Nonfederal)	510	471	109	70
Contributions	-	-	-	-
Other Revenue	151	-	29	(122)
Total Revenue	\$ 6,292	\$ 874	\$ 419	\$ (4,999)
Expenditures				
Personal Services	\$ -	\$ 110	\$ 473	\$ (583)
Services and Supplies	9,006	931	5,238	2,837
Capital Outlay	49,986	6,265	11,181	32,540
Special Payments	-	-	-	-
Debt Service	-	-	-	-
Total Expenditures	\$ 58,992	\$ 7,306	\$ 16,892	\$ 34,794
Excess (Deficiency) of Revenues Over Expenditures	\$(52,700)	\$(6,432)	\$(16,473)	\$29,795
Other Financing Sources (Uses)				
Nonlimited Expenditures	-	-	-	-
Nonlimited Revenues	-	(3,805)	-	(3,805)
Operating Transfers-in - Interfund	47,996	12,174	12,762	(23,060)
Operating Transfers-out - Interfund	(452)	(886)	283	(151)
Transfers Out - Other	-	-	-	-
Transfers to Counties and Cities	-	-	-	-
Bond Sales/Loan Proceeds	19	-	19	-
Loan Repayments	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ (5,137)	\$ 1,051	\$ (3,409)	\$ 2,779
Fund Equity previously reported		\$ 26,176	\$ 9,351	
Cumulative effect on prior years restatement for accounting change :				
Deferred Compensation		-	-	
Higher Education		(19,558)	(5,532)	
Compensated Absences		-	-	
Fund Equity Beginning (restated)		\$ 6,618	\$ 3,819	
Transactions Recorded During The Year But Charged to Prior Biennia				
Revenue		2,550	100	
Expenditures		(6,400)	(72)	
Increase (Decrease) in Reserves				
Inventories		-	-	
Revolving Accounts		-	-	
Other		-	-	
GAAP Reclassification of fund equity			4,308	
Depreciation and Amortization		-	-	
Net Increase in Investment in Plant		-	-	
Prior Period Adjustments		-	(4,488)	
Fund Equity Ending		\$ 3,819	\$ 258	

ENTERPRISE FUNDS

1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 25,743	\$ 10,595	\$ 10,898	\$ (4,250)
-	-	-	-
-	-	-	-
-	-	-	-
1,280	1,831	1,910	2,461
1,320	-	9	(1,311)
-	-	-	-
121,290	57,739	62,692	(859)
-	85	62	147
2,078	1,125	1,063	110
4,866	(21)	13,400	8,513
153,698	32,998	69,230	(51,470)
-	-	-	-
305	(1,798)	362	(1,741)
<u>\$310,580</u>	<u>\$ 102,554</u>	<u>\$ 159,626</u>	<u>\$ (48,400)</u>
\$185,263	\$ 90,628	\$ 93,748	\$ 887
70,336	30,777	32,986	6,573
2,986	1,274	1,874	(162)
5,465	1,765	422	3,278
6,500	9,604	2,665	(5,769)
<u>\$270,550</u>	<u>\$ 134,048</u>	<u>\$ 131,695</u>	<u>\$ 4,807</u>
\$ 40,030	\$ (31,494)	\$ 27,931	\$ (43,593)
-	(1,418,791)	(1,584,788)	(3,003,579)
-	1,368,875	1,578,951	2,947,826
54,499	34,255	19,267	(977)
(101,222)	(76,473)	(56,499)	(31,750)
(35,170)	(16,324)	(15,816)	3,030
10,000	1,345	1,460	(7,195)
<u>\$(31,863)</u>	<u>\$(138,607)</u>	<u>\$(29,494)</u>	<u>\$(136,238)</u>
	\$ 107,533	\$ 464,663	
	79,499	(146,140)	
	(4,570)	(4,570)	
	\$ 182,462	\$ 313,953	
	12,457	15,007	
	(3,036)	(122)	
	-	-	
	99,255	(43,492)	
	(2,598)	(3,241)	
	164,020	7,521	
	<u>\$ 313,953</u>	<u>\$ 260,132</u>	

INTERNAL SERVICE FUNDS

1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
70	79	(21)	(12)
26	29	34	37
-	-	-	-
239,729	106,836	112,008	(20,885)
12	10	15	13
23,294	12,418	11,803	927
92	7	-	(85)
44,056	20,839	22,460	(757)
10	2	15	7
-	-	-	-
402	122	119	(161)
<u>\$307,691</u>	<u>\$140,342</u>	<u>\$146,433</u>	<u>\$(20,916)</u>
\$102,482	\$ 47,910	\$ 49,248	\$ 5,324
144,760	57,507	63,333	23,920
12,309	7,239	15,121	(10,051)
-	-	-	-
-	9	155	(164)
<u>\$259,551</u>	<u>\$112,665</u>	<u>\$127,857</u>	<u>\$ 19,029</u>
\$ 48,140	\$ 27,677	\$ 18,576	\$ (1,887)
-	(30,936)	(36,215)	(67,151)
-	59,181	33,718	92,899
20,321	8,826	4,648	(6,847)
(21,887)	(59,164)	(29,728)	(67,005)
-	-	-	-
-	-	-	-
80	703	-	623
<u>\$ 46,654</u>	<u>\$ 6,287</u>	<u>\$ (9,001)</u>	<u>\$(49,368)</u>
	\$113,546	\$143,368	
	(2,317)	(25,282)	
	(2,340)	(2,340)	
	\$108,889	\$115,746	
	4,223	6,013	
	3,021	-	
	-	-	
	3,458	21,575	
	(10,444)	(11,592)	
	-	-	
	312	3,102	
	<u>\$115,746</u>	<u>\$125,843</u>	

See letter of transmittal for comments.

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL FUND TYPES

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(Expressed in Thousands)

TRUST AND AGENCY FUNDS

	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
Revenue				
Income Taxes	\$ -	\$ -	\$ -	\$ -
Selective Sales and Use Taxes	220,684	206,966	8,581	(5,137)
Gross Receipts Business Taxes	6,901	3,480	3,855	434
Employer-Employee Taxes	84,000	44,683	48,827	9,510
Inheritance and Gift Taxes	-	-	-	-
Severance Taxes	91,500	28,076	28,620	(34,804)
Other Taxes	14,586	13,724	941	79
Business Licenses and Fees	199	199	-	-
Nonbusiness Licenses and Fees	60,836	60,865	127	156
Federal Revenue	3,650	1,268	1,573	(809)
Charges for Services	2,204	2,191	1,313	1,300
Fines and Forfeitures	-	-	62	62
Rents and Royalties	4,759	536	1,389	(2,834)
Interest Income	385,666	443,802	599,038	657,174
Sales Income	34,165	10,983	12,233	(10,949)
Donations and Grants (Nonfederal)	357	470	(86)	27
Contributions	1,965,739	720,416	417,251	(828,072)
Other Revenue	3,491	3,507	1,251	1,267
Total Revenue	\$2,878,737	\$1,541,166	\$1,124,975	\$ (212,596)
Expenditures				
Personal Services	\$ 9,699	\$ 4,328	\$ 4,415	\$ 956
Services and Supplies	8,881	3,550	2,737	2,594
Capital Outlay	372	212	166	(6)
Special Payments	3,613	1,162	1,541	910
Debt Service	-	-	-	-
Total Expenditures	\$ 22,565	\$ 9,252	\$ 8,859	\$ 4,454
Excess (Deficiency) of Revenues Over Expenditures	\$2,856,172	\$1,531,914	\$1,116,116	\$ (208,142)
Other Financing Sources (Uses)				
Nonlimited Expenditures	-	(506,291)	(665,125)	(1,171,416)
Nonlimited Revenues	-	369,915	495,520	865,435
Operating Transfers-in - Interfund	46,561	203,517	16,934	173,890
Operating Transfers-out - Interfund	(304,678)	(292,020)	(17,605)	(4,947)
Transfers Out - Other	(766,300)	(530,128)	1,876	238,048
Transfers to Counties and Cities	(217,979)	(98,691)	(89,884)	29,404
Bond Sales/Loan Proceeds	-	13,191	-	13,191
Loan Repayments	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$1,613,776	\$ 691,407	\$ 857,832	\$ (64,537)
Fund Equity previously reported		\$3,768,343	\$4,408,456	
Cumulative effect on prior years restatement for accounting change:				
Deferred Compensation		(31,271)	(31,271)	
Higher Education		(84,024)	(27,898)	
Compensated Absences		(182)	(182)	
Fund Equity Beginning (restated)		\$3,652,866	\$4,349,105	
Transactions Recorded During The Year But Charged to Prior Biennia				
Revenue		6,211	(2,529)	
Expenditures		(7,082)	-	
Increase (Decrease) in Reserves				
Inventories		(26)	(36)	
Revolving Accounts		-	-	
Other		(504)	140	
GAAP Reclassification of fund equity				
Depreciation and Amortization		(17)	(7,362)	
Net Increase in Investment in Plant		-	(32)	
Prior Period Adjustments		6,250	(4,288)	
Fund Equity Ending		\$4,349,105	\$5,192,830	

COLLEGE AND UNIVERSITY FUNDS

TOTALS (MEMO ONLY)

1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ -	\$2,795,624	\$1,365,762	\$1,473,286	\$ 43,424
-	-	-	-	481,176	272,150	267,287	58,261
-	-	-	-	88,308	42,015	47,482	1,189
-	-	-	-	160,694	94,835	102,769	36,910
-	-	-	-	64,489	33,705	29,201	(1,583)
-	-	-	-	91,500	29,878	31,027	(30,595)
-	-	-	-	19,586	14,125	14,697	9,236
-	-	-	-	78,346	29,552	26,739	(22,055)
-	-	-	-	181,037	91,083	93,658	3,704
83,546	19,808	25,094	(38,644)	1,675,283	738,023	847,364	(89,896)
369,508	189,520	183,045	3,057	868,756	428,148	442,817	2,209
-	288	325	613	26,101	20,144	21,281	15,324
-	1,045	-	1,045	34,357	18,379	17,827	1,849
109	5,110	1,376	6,377	439,973	492,566	651,294	703,887
-	5,475	-	5,475	388,908	140,240	138,077	(110,591)
8,864	5,718	4,177	1,031	14,858	8,470	7,011	623
17,746	6,963	5,277	(5,506)	1,965,739	720,416	417,251	(828,072)
				117,017	55,354	27,029	(34,634)
<u>\$ 479,773</u>	<u>\$ 233,927</u>	<u>\$ 219,294</u>	<u>\$ (26,552)</u>	<u>\$9,491,752</u>	<u>\$4,594,845</u>	<u>\$4,656,097</u>	<u>\$ (240,810)</u>
\$ 671,434	\$ 328,231	\$ 325,989	\$ 17,214	\$2,130,767	\$1,008,947	\$1,036,314	\$ 85,506
165,753	87,035	88,586	(9,868)	1,507,265	616,527	686,375	204,363
75,429	22,082	22,728	30,619	172,726	48,584	76,692	47,450
26,469	25,185	11,585	(10,301)	3,113,652	1,403,610	1,524,199	185,843
10,690	15,134	5,503	(9,947)	46,349	32,939	29,292	(15,882)
<u>\$ 949,775</u>	<u>\$ 477,667</u>	<u>\$ 454,391</u>	<u>\$ 17,717</u>	<u>\$6,970,759</u>	<u>\$3,110,607</u>	<u>\$3,352,872</u>	<u>\$ 507,280</u>
\$(470,002)	\$(243,740)	\$(235,097)	\$ (8,835)	\$2,520,993	\$1,484,238	\$1,303,225	\$ 266,470
-	(223,186)	(262,672)	(485,858)	-	(3,030,111)	(3,244,113)	(6,274,224)
-	250,977	271,209	522,186	-	2,835,537	3,048,739	5,884,276
441,842	94,628	252,742	(94,472)	1,468,276	804,313	1,066,384	402,421
-	194,270	(10,128)	184,142	(1,185,462)	(608,805)	(846,582)	(269,925)
-	-	-	-	(770,004)	(530,128)	(193,506)	46,370
-	-	-	-	(425,941)	(202,067)	(203,068)	20,806
15,535	-	-	(15,535)	75,554	13,191	14,627	(47,736)
14,072	5,367	5,735	(2,970)	24,152	7,464	7,231	(9,457)
<u>\$ 1,447</u>	<u>\$ 78,316</u>	<u>\$ 21,789</u>	<u>\$ 98,658</u>	<u>\$1,707,568</u>	<u>\$ 773,632</u>	<u>\$ 952,937</u>	<u>\$ 19,001</u>
	\$ -	\$ -			\$4,356,524	\$5,486,230	
	-	-			(31,271)	(31,271)	
	62,506	723,883			-	485,625	
	(10,196)	(10,196)			(25,226)	(25,226)	
	\$ 52,310	\$ 713,687			\$4,300,027	\$5,915,358	
	(84)	-			19,484	19,824	
	3	(707)			(23,496)	(1,225)	
	(1,249)	-			(3,072)	3,472	
	607,454	2,990			709,501	(18,830)	
	(256)	-			-	(155,095)	
	-	48,556			(13,315)	(14,865)	
	(22,807)	-			-	48,556	
					152,590	609	
<u>\$ 713,687</u>	<u>\$ 786,315</u>			<u>\$5,915,358</u>	<u>\$6,750,798</u>		

See letter of transmittal for comments.

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1985

1. Summary of Significant Accounting Policies

a. Reporting Entity

The reporting entity of the State of Oregon includes all state agencies, universities, commissions, and boards for which the elected state officials have oversight responsibility. Oversight responsibility implies that the state officials have final decision-making authority, designate who will manage day-to-day operations of the governmental activity or program, and significantly influence the operations. The governmental unit is dependent upon the elected state officials for fiscal decisions relative to adoption of budgets and funding of deficits.

All functions, programs, and activities that are controlled by or dependent upon the legislative or executive branch of the State of Oregon are included in this report. This includes the State Court system and the Retirement system.

SAIF Corporation, a public corporation that is the successor of the old State Accident Insurance Fund, and its wholly-owned subsidiary SAIF Corporation of Oregon are included in this reporting entity. Activities are included in Enterprise Funds.

Commodity commissions were originally established for the purpose of expanding the markets for specific commodities. The Department of Agriculture, a state agency, has general supervisory authority over the commodity commissions. However, ORS 576.311 exempts the commodity commissions from certain financial administration laws. Therefore, the financial information pertaining to agricultural commodity commissions is not included in this report.

Oregon Mass Transportation Financing Authority was established by the legislature to issue revenue bonds. The bond proceeds are utilized to finance the costs of transit facilities for mass transit districts. The Authority is included as part of the reporting entity. Since bond activities of the Authority are considered no-commitment long-term debt and there is no statutory requirements for reporting or accounting to the State of Oregon, financial transactions are not included in this report.

Since industrial development revenue bonds are also considered no-commitment long-term debt, the financial activities relative to this activity are not included in this report.

b. Basis of Presentation

The accompanying financial statements are prepared in conformity with generally accepted accounting principles (GAAP) applicable to state governments. The principal authority for accounting and reporting requirements in Oregon is the Executive Department through its Administrative Rules and the State Accounting Manual. The Department interprets the guidelines for financial reporting presented by the Governmental Accounting Standards Board, National Council on Governmental Accounting (NCGA) Statements and the AICPA's industry audit guide, "Audits of State and Local Government Units" (ASLGU). Pronouncements of the Financial Accounting Standards Board (FASB) are also considered when applicable.

The financial transactions for the College and University Funds have been prepared in conformity with generally accepted accounting principles as prescribed by the National Association of College and University Business Officers and are presented in a separate column of the financial statements as a discrete presentation.

c. State Accounting Funds

Governmental Funds

- (1) The General Fund accounts for ordinary operations financed by legislatively approved appropriations from general revenues and used for general governmental purposes. General Fund appropriations for debt service, capital construction projects, and colleges and universities are reported in the Debt Service Funds, the Capital Project Funds, and College and University Funds respectively.
- (2) Special Revenue Funds account for the proceeds of specific revenue sources or finance specified activities as required by law or administrative regulations. Special Revenue Funds are established to account for taxes, licenses, and other revenue allocated by law to specific general governmental purposes. These revenues are collected by an agency and either transferred to another agency to be expended for a specific purpose, or the revenues are expended by the collecting agency. When the expenditure is made, the expenditure is usually charged against a legislatively approved limitation.

A Special Assessment Fund accounts for special assessments levied to finance public improvements or services deemed to benefit the properties against which the assessments are levied. Since only one Special Assessment Fund, Forest Patrol, exists in the State of Oregon, this fund has been combined with the Special Revenue Funds.

- (3) Debt Service Funds account for the accumulation of resources for and the payment of interest and principal on general obligation bonds. They include debt service provided by General Fund appropriation.

Most Debt Service Funds are essentially "flow-through" vehicles through which current period principal and interest requirements and payments are accounted. Such funds will have minimal fund balances at year-end.

- (4) Capital Project Funds account for financial resources segregated for the construction or acquisition of major capital facilities. They include capital construction and capital improvements financed by General Fund appropriations.

A Capital Projects Fund is established upon project or debt issue authorization by the Legislature. All expenditures necessary to bring the facility in question to a state of readiness for its intended purpose are reported as Capital Project Fund costs. In addition to the direct cost of items such as land, buildings, materials, and labor, total project costs include such related items as engineering and architectural fees, transportation costs, damages occasioned by the project, and other costs associated with the endeavor.

At June 30, partially completed projects are included in the Construction in Process account in the appropriate fund owning the asset or the General Fixed Asset Account Group.

Upon completion of a project, the buildings, or other structures are recorded at cost in the General Fixed Asset Account Group or in the appropriate proprietary fund or fiduciary fund.

Proprietary Funds

- (5) Enterprise Funds account for the provision of goods and services to the general public where all or most of the costs involved are primarily paid in the form of charges to the users of such services. Among the many types of self-supporting activities financed through Enterprise Funds are insurance operations, fair operations, and liquor retailing operations. Issuance of revenue bonds to finance the activity is also indicative of the self-supporting nature of an activity that should be accounted for through an Enterprise Fund.
- (6) Internal Service Funds account for the financing of goods and services provided by an agency on a cost-reimbursement basis to any other governmental unit, whether state, federal, or local. Activities handled through Internal Service Funds vary widely both as to type and complexity of operation. Among the types are those used to acquire and distribute items of inventory such as office supplies or gasoline; operation of motor pools; duplicating and printing facilities; and repair shops and garages. Other examples are purchasing, accounting, auditing, and data processing services.

Fiduciary Funds

- (7) A Trust Fund is established to account for assets received and held by an agency acting in the capacity of trustee or custodian. An Agency Fund is established to account for assets received by an agency in its capacity as an agent for individuals and other governmental units.

There are three types of Trust Funds: Expendable Trusts, Nonexpendable Trusts, and Pension Trusts.

College and University Funds

- (8) The College and University Fund is established to account for:

- (a) Current Funds - used to account for unrestricted funds over which the Board of Higher Education retains full control and are expendable for any purpose in performing the primary objectives of the Board; restricted funds, which consist of funds restricted by donors or outside agencies; and auxiliary funds which are self sustaining activities providing goods and services to students, faculty, and staff.

- (b) Fiduciary Funds - used to account for loan, endowment, and agency funds in which the institutions act in a fiduciary capacity.
- (c) Plant Funds - used to account for unexpended plant funds, debt service, and plant investment.

General Fixed Assets Account Group

- (9) The General Fixed Asset Account Group is used to account for fixed assets acquired through governmental funds. Fixed assets acquired through Enterprise, Trust, or Internal Service Funds are not general fixed assets, but are reported in the accounts of the acquiring fund.

General Long-Term Debt Account Group

- (10) The General Long-Term Debt Account Group includes all general obligation bonds and general long-term liabilities. These long-term liabilities include capital leases and compensated absences.

General obligation bonds are secured by the full faith and credit of the State and are not deemed to be the obligation of any specific fund.

d. Basis of Accounting

State government is operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording assets, liabilities, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations or restrictions.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All proprietary-type funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

All governmental-type funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. "Available" indicates collectible within the current period or soon enough thereafter to pay liabilities of the current period. Primary revenue sources susceptible to accrual are income taxes, excise taxes, and federal revenues. Taxpayer assessed taxes are considered "measurable" when the revenue is in the hands of intermediary collecting agents. Federal grant revenue is not recognized until the expenditure is recognized. Expenditures are recognized under the modified accrual basis of accounting when the related liability is incurred. An exception to this general rule of expenditure recognition is: Principal and interest on general long-term liabilities are recognized when due.

Long-term receivables, net of uncollectibles, are included in the governmental-type funds. The amounts are deferred in the balance sheet so as not to impair fund equity.

Fixed assets and long-term liabilities of governmental-type funds are included in the General Fixed Assets Account Group and the General Long-Term Debt Account Group.

The modified accrual basis of accounting has been utilized for expendable trust funds and agency funds. The pension trust funds and nonexpendable trust funds use the accrual basis of accounting.

The college and university funds are accounted for on an accrual basis of accounting.

e. Budgetary Accounting

Agency budgets are approved by the Legislature biennially. Any increases in the budgets that may be necessary are approved by the Emergency Board during the interim. Appropriations and limitations lapse at the end of the biennium.

During the biennium, the Executive Department approves spending limits for each quarter. Each agency's actual expenditures are monitored daily against approved budgets, quarterly allotments, and cash balances.

Appropriated budgets include expenditure authority created by appropriation bills and related estimated revenues. All funds are subject to legislative approval. Nonappropriated budgets and some nonlimited financial activities are also subject to allotment control by the Executive Department.

Because of the budgetary control requirements placed on all funds, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual" includes all funds. Nonlimited expenditures and revenues are included as other financing sources or uses.

Encumbrance accounting is allowed only during the biennium. All encumbrances lapse at the end of the biennium except capital construction, capital improvements, and contested claims.

A reconciliation between the amounts shown on the "Combined Statement of Revenues, Expenditures and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual" and the "Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types and Similar Trust Funds", "Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - All Governmental and Expendable Trust Funds", and "Combined Statement of Revenues, Expenditures, and Changes in Fund Equity - All College and University Funds" follows:

RECONCILIATION OF BUDGETARY REVENUE TO
REVENUE REPORTED IN THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 1985

(Expressed in Thousands)

Budgetary Revenue - Fiscal Year Ended June 30, 1985 (Page 23)	\$4,656,097
Add: Other Financing Sources	2,893,825
Revenue recorded during the year but credited to Prior Biennia (Page 23)	<u>19,824</u>
	\$7,569,746
Deduct (Add):	
Proceeds from sale of bonds not included in revenue in Enterprise Fund	\$ 227,369
Loan repayments not included in revenue:	
Enterprise Fund	358,802
Internal Service Fund	905
Loan reductions from foreclosures not included in revenue in Enterprise Fund	135,167
Cost of assets sold offset against sales of equipment:	
Enterprise Fund	4,320
Internal Service Fund	306
Fiduciary Fund	2
Miscellaneous	
Enterprise Funds	7,781
Other	<u>1,403</u>
Net deduction because of differences in reporting budgetary revenue and revenue in Proprietary Funds	\$ 736,055
Accounting reclassification from expenditures (Offset in Expenditure Reconciliation)	<u>848,907</u>
Total Deductions	<u>1,584,962</u>
Adjusted Budgetary Revenue	<u>\$5,984,784</u>
Revenue per Combined Financial Statements:	
Governmental Funds (Page 12)	\$3,220,325
Proprietary Funds: (Page 14)	
Income	2,025,503
Other Operating Transfers	(42,598)
College & University Funds (Page 17)	
Revenue and Other Financing Sources	<u>781,554</u>
Revenue per Combined Financial Statements	<u>\$5,984,784</u>

RECONCILIATION OF BUDGETARY EXPENDITURES TO
EXPENDITURES AND EXPENSES REPORTED IN THE
COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 1985

(Expressed in Thousands)

Budgetary Expenditures - Fiscal Year Ended June 30, 1985 (Page 23)		\$3,352,872
Add: Other Financing Sources (Page 23)		3,244,113
Expenditures recorded this year but charged to Prior Biennia (Page 23)		<u>1,225</u>
		\$6,598,210
Deduct (Add):		
Loans made but not included in expenditures Enterprise Fund	\$ 439,190	
Principal payments on long-term debt not included in expenditures:		
Enterprise Fund	237,754	
Internal Service Fund	7,539	
Fiduciary Fund	2	
Adjustments to inventories and prepaid expenses:		
Enterprise Fund	1,540	
Internal Service Fund	796	
College and University Funds	2,990	
Capital outlay not included in expense:		
Enterprise Fund	13,942	
Internal Service Fund	13,772	
Fiduciary Fund	166	
College and University Funds	48,556	
GAAP Reclassification of Fund Equity (Page 23)	(155,095)	
Depreciation not included in budgetary expenditures	<u>(15,313)</u>	
Net deduction because of differences in reporting budgetary expenditure and expenditures in Proprietary Funds	\$ 595,839	
Accounting reclassification from expenditures to Revenue (offset in revenue reconciliation)	<u>848,907</u>	
Total Deductions		<u>1,444,746</u>
Adjusted Budgetary Expense		<u>\$5,153,464</u>
Expenditures per Combined Financial Statements:		
Governmental Funds (Page 12)	\$3,186,249	
Proprietary Funds (Page 14)	1,258,289	
College and University Funds (Page 17)	<u>708,926</u>	
Expenditures per Combined Financial Statements		<u>\$5,153,464</u>

f. Investments

Investments are stated at cost or amortized cost. It is generally the intention of the State to hold the debt security investments until maturity. Foreclosed property is presented at the appraised value of the property at the date of foreclosure. Market values are stated, if available. (Note 2)

g. Receivables

Receivables are shown net of any provisions for uncollectible accounts. Receivables included are amounts due representing revenues earned or accrued in the current period. Types of Receivables included in this classification are relative to taxes, interest, amounts due from the federal government, and amounts due resulting from sale of goods or services.

h. Inventories

Inventories are primarily stated at cost utilizing the FIFO (first-in, first-out) costing method. Physical inventories are required to be taken annually. In proprietary-type funds, the expense occurs when the inventory is used. In governmental-type funds, the expenditure occurs when the inventory is purchased and there is a reservation of the fund balance.

In the proprietary funds inventories are usually defined as the cost of goods held for resale. In all other funds, inventories are considered the value of supplies on hand for use in the fund's operations.

i. Fixed Assets

The classes used for reporting fixed assets are:

- Land, Buildings and Improvements
- Construction in Process
- Equipment and Machinery
- Data Processing Software
- Leasehold Improvements
- Capital Leased Property

Fixed assets utilized in proprietary fund activities are reported in the appropriate proprietary fund because the fixed assets are used in the production of the goods or services provided and sold. Depreciation of these fixed assets is recorded to determine total expenses, net income, and whether the fund's capital has been impaired.

Fixed assets utilized in college and university funds are reported in the fixed asset accounts of the fund. Allowance for depreciation is not reported.

Fixed assets utilized in trust funds are reported in the trust funds. Fixed assets other than those accounted for in the proprietary funds, college and university funds, and trust funds are general fixed assets. General fixed assets belong to the state government as an instrumentality, and are not reported in the governmental funds. They may be acquired by gift or by expenditure from several sources and funds. General fixed assets are reported in the General Fixed Assets Account Group.

Fixed assets are reported at cost or estimated cost if the original cost is not determinable. Donated fixed assets are reported at their estimated fair market value at the time received. Land costs include 1,431,878 acres of forest and other lands valued at one dollar per acre. Leased property is reported at the remaining unamortized value.

Roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are normally immovable and of value only to the governmental unit. These fixed assets, including the statewide highway system, are excluded from this report. Oregon's airports, however, are included in the Land, Buildings and Improvements category.

The construction in process account represents the total expended to date on a project. If a governmental fund type will own the asset, the account is included in the General Fixed Assets Account Group. If another fund type will own the asset, the account is included in the fixed assets of the fund type.

Capital leases, where title to the property passes to the State, are included in the appropriate fixed asset class. The property is depreciated if appropriate. In the cases where the capital lease title will not pass to the State, the Capital Leased Property account is used. The property is amortized, if appropriate.

Fixed assets costing less than \$100 are excluded unless an agency has elected to include them in their property records for control purposes.

j. Depreciation and Amortization

The recording of depreciation or amortization of fixed assets of proprietary funds is included in those funds in this report.

Any generally accepted method of computing depreciation that an agency is required to use to meet requirements of the federal government or other organization for rate determination or cost recovery purposes is acceptable; otherwise, one of the two following methods is required:

Straight-line Depreciation which provides for the distribution of the cost evenly over the life of the buildings or equipment.

Working Hour Method which provides for the distribution of costs over the estimated useful hours or days of a piece of equipment.

Amortization is a systematic reduction of the intangible property value over the life of the property or period of the lease, whichever is shorter. Intangible assets include leasehold improvements, software, and capital leases where the lease does not provide for a change in ownership.

Generally accepted accounting for college and university funds does not require depreciation or amortization of fixed assets.

k. Deferred Income

Deferred income represents amounts for which asset recognition criteria has been met but for which revenue recognition criteria has not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available.

l. Accounting Changes

During the fiscal year the State changed its method of accounting for compensated absences to comply with new accounting requirements. In the past the liabilities were considered undeterminable. The new method requires that the liability be recognized when earned by the employee. The financial statements for the fiscal year ended 1984 have been restated. The liability was considered unchanged for the year. There is no affect on net income for the year.

The State also changed its method of presentation of College and University Funds. Last year the College and University Funds were blended into other funds. This year, they are presented in separate columns of the financial statements as a discrete activity. The financial statements for fiscal year ended 1984 have been restated to reflect corrected beginning fund equity in each fund type.

The Deferred Compensation activity was presented as a pension trust fund in 1984. In accordance with new requirements, the activity is presented as an agency fund for 1985.

The wholly owned subsidiary of SAIF Corporation is presented on a consolidated basis in 1985. The equity method was used in 1984.

Agency Fund asset and liability activity includes only collections and distributions for other entities in which the State is acting in a custodial activity as an agent. In 1984, Agency Fund activity also included collection for other funds of the reporting entity.

Special Revenue Funds do not include any material amounts payable to the General Fund as a result of collecting General Fund revenues. All General Fund revenue activity and related assets are reported in the General Fund in fiscal year 1985. These changes in reporting for Agency Funds, Special Revenue Funds, and General Fund do not have a cumulative affect, nor is a restatement necessary.

m. Elements of Fund Equity

A portion of the fund equity has been earmarked to indicate it cannot be used for expenditure of current resources in governmental-type funds. Reserve accounts used for this segregation are Reserve for Inventories, Reserve for Revolving Accounts and Other Reserves.

No portion of the unreserved fund equity has been designated.

n. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned "memo only" to indicate that they are presented only for use in financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation of funds. Interfund eliminations have not been reflected in these columns.

2. Cash and Pooled Investments

The State maintains a cash and investment pool that is available for use by all funds. The pool has deposits, repurchase agreements and other investments. Each fund's portion of this pool is summarized by fund type in the Combined Balance Sheet as Cash and Pooled Investments. In addition, short and long-term investments are held by several of the State's funds and are separately classified on the balance sheet. The separate designation identifies them as Investments - State Treasurer and Investments - Other. The latter are investments made directly by the agency, rather than by the State Treasurer. All Investments are stated at cost.

The State's investment policies are governed by State Statutes. State moneys may be deposited in any trust company, bank, or mutual savings bank or branch office in that capacity within the State. The State is authorized to use demand deposits and certificates of deposit. State investment statutes are based primarily on prudence and allow almost any amount and type of investment. Common stock acquisitions, however, are limited to 50% of the funds in the Public Employees Retirement Fund and Industrial Accident Fund. Common stock transactions must be handled by outside money managers.

Collateral is required for demand deposits and certificates of deposit at 25 percent of all deposits. Obligations that may be pledged are obligations of the United States and its agencies and obligations of any state, county, city, school district, and some other public bodies subject to certain restrictions. Collateral requirements may be increased to 110 percent under certain circumstances.

Obligations pledged to secure deposits must be delivered to custodians. Custodians may be the Portland Branch of the Federal Reserve Bank of San Francisco; any bank, trust company, or savings and loan association doing business in this state or authorized to act as trustee in the State; or the fiscal agency of the State of Oregon and State of New York as prescribed by Oregon Law. With the approval of the State Treasurer, a depository bank may be a custodian bank with respect to its own securities.

Repurchase agreements are purchased through registered securities broker dealers. Securities underlying a repurchase agreement must have a market value of at least 102 percent of the cost of the repurchase agreement. No substitution of securities is permitted. The securities underlying the agreements must be delivered to the State's custodial banks. The State enters into written master purchase agreements that outline the obligations of both the State and the dealers. These agreements address, among other things:

- a. Specifications for delivery of the underlying securities to the custodial bank.
- b. The rights of the State to liquidate the underlying securities in the event of default by the dealer.
- c. The required margin of 102 percent and the dealer's obligation to provide additional securities to maintain this margin.

At June 30, 1985, the only repurchase agreement held by the State was a \$125 million Dealer Repurchase acquired as part of the short-term investments of the Cash and Pooled Investments.

Oregon Law permits the State to enter into reverse repurchase agreements. These agreements are made with SEC-registered securities broker-dealers only. The proceeds from reverse repurchase agreements are usually used to invest in U.S. Treasury and U.S. Agency obligations, however, it is not a requirement.

Written agreements are used for each reverse repurchase agreement transaction. These agreements generally:

- a. Require delivery of the underlying securities to the dealers;
- b. Give the dealers the right to liquidate the securities if the State defaults on the agreement.
- c. Require the market value of the underlying securities to exceed 102 percent of the amount received from the agreement.
- d. Require the state to transfer additional securities or cash if the market value of the underlying securities falls below 102 percent of the amount received from the transaction.

The only Reverse Repurchase agreement at June 30, 1985 was in the Public Employees Retirement Fund. It is included in accounts payable in that trust fund.

AgreementUnderlying
Security

\$4,549,000 received to be repaid
with interest of 10.41% on
June 19, 1986

\$4,655,339
Federal National
Mortgage Assoc.
7.950% at Carrying
Amount

The Reverse Repurchase Agreement will be paid out of the normal cash flow of the agency's investment funds.

Deposits and Investments at Year End were:
(In Thousands)

	<u>Carrying Amount</u>	<u>Market Value</u>
Equity in Cash and Pooled Investments		
Deposit Accounts, Net of Outstanding Checks	\$ 178,304	\$ 178,304
Pooled Investment - Total	<u>1,474,581</u>	<u>1,457,918</u>
Total	<u>\$1,652,885</u>	<u>\$1,636,222</u>
Investments		
State Treasurer - Total	\$6,126,153	\$8,113,744
Housing Division - Total	\$ 156,543	\$ 159,079
Foreclosed Property	\$ 71,361	
Other Investments - Total	<u>\$ 10,689</u>	

Detail Schedule of Investments, June 30, 1985 at Cost (Expressed in Thousands)

<u>DESCRIPTION</u>	<u>POOLED INVESTMENTS</u>	<u>INVESTMENTS STATE TREASURER</u>
US Treasury Bills	\$ 209,684	\$ 148,084
US Agency Paper	281,926	103,425
Time Certificate of Deposit	90,000	-
Utilities	311,565	19,619
Industrials	82,842	23,908
Finance Credit	129,724	9,711
Dealer Repurchases	125,000	-
Total Short Term Investments	<u>\$1,230,741</u>	<u>\$ 304,747</u>
Government Bonds	\$ -	\$ 29,595
US Treasury Coupons	17,983	717,458
US Agency Bonds	12,496	88,521
Canadian Bonds	-	166,049
Municipal Bonds	-	10
GNMA Passthru and FHLMC's	112,429	93,485
US Treasury, Zero Coupon	-	95,027
Utilities - Telephone	-	60,267
Utilities - Electricity	-	464,443
Utilities - Gas	-	61,334
Industrials	-	443,774
Financial	-	189,079
Railroad - Equipment Trust	-	93,832
Railroad - Terminal	-	689
Mortgage Pass-Thru Securities	10,853	194,861
Mortgage-Backed Securities	-	16,601
Capehart Mortgages	-	1,784
Residential Blocks	90,079	17,067
Apartments and Nursing Homes	-	1,890
Conventional Real Estate Mortgage	-	269,905
Real Estate Equity Participation	-	281,486
Equity Real Estate Options	-	78,000
Equity Real Estate	-	18,500
State Agency Loans	-	5,196
Business Loans	-	3,868
Convertible Bonds	-	44,963
Equity Funds	-	2,243,051
Leveraged Buy-Outs	-	92,938
Venture Capital	-	47,733
Total Long Term Investments	<u>\$ 243,840</u>	<u>\$5,821,406</u>
Total All Investments	<u>\$1,474,581</u>	<u>\$6,126,153</u>

3. Restricted Assets in Enterprise Funds

Cash and investments of \$537,298 thousand are restricted by various indentures to certain types of securities.

4. Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	(Expressed in Thousands)		
	Balance 7-1-84	Net Change	Balance 6-30-85
Land	\$125,211	\$14,184	\$139,395
Buildings	146,882	2,947	149,829
Improvements	11,999	(4,879)	7,120
Construction in Process	366	7,416	7,782
Equipment and Machinery	112,934	19,511	132,445
Data Processing Software	98	222	320
Leasehold Improvements	838	119	957
Capital Leased Property	1,718	(1,268)	450
Total	<u>\$ 400,046</u>	<u>\$38,252</u>	<u>\$438,298</u>

5. Summary of Proprietary Fund Fixed Assets

A summary of proprietary fund fixed assets at June 30, 1985, follows:

	(Expressed in Thousands)	
	Enterprise	Internal Service
Land	\$ 1,579	\$ 579
Buildings	62,410	60,987
Improvements	5,208	6,010
Construction in Process	1,118	4,195
Equipment and Machinery	23,957	110,008
Leasehold Improvements (Net)	107	629
Capital Leased Property (Net)	501	1,183
Software (Net)	-	159
Less: Allowance for Depreciation	<u>(42,896)</u>	<u>(80,689)</u>
Total	<u>\$ 51,984</u>	<u>\$103,061</u>

6. Summary of College and University Fund Fixed Assets

A summary of college and university fund fixed assets at June 30, 1985 follows:

	(Expressed in Thousands)
Land	\$ 21,399
Buildings	419,252
Improvements	26,527
Construction in Process	6,208
Equipment and Machinery	298,693
Less: Allowance for Depreciation	<u>(33,143)</u>
Total	<u>\$738,936</u>

7. Pension Plan for State Employees

Pursuant to Oregon Revised Statutes Chapter 237, after six months trial service with the State of Oregon, all employees must belong to the Oregon Public Employees Retirement System. The Oregon Public Employees Retirement System collects contributions from both employers and employees for the purpose of funding retirement benefits (called "retirement allowances"). The system covers approximately 126,500 State and local government Oregon employees and 41,732 retired employees or their beneficiaries. The system is administered by the Oregon Public Employee Retirement Board.

The system's pension program is a defined benefit plan, and requires periodic actuarial review. Under ORS 237, this review must be performed at least every four years. The most current actuarial evaluation was conducted as of December 31, 1982. The next actuarial valuation is scheduled for December 31, 1985.

In 1981, the State went to a formula pension. The method used in the valuation is called the "entry age cost method."

Under the entry age cost method, the normal costs for a member are assumed to be paid from hire to retirement, death or termination of employment. They are also assumed to earn interest as they accumulate as part of the fund. The aggregate of all past normal costs accumulated to the valuation date is called the "supplemental present value".

Benefit improvements, actuarial gains and losses, and changes in actuarial procedures will affect the supplemental present value. The difference is called the unfunded supplemental present value. This amount is often described as the "unfunded liability".

Under this actuarial cost method a large portion of the unfunded supplemental present value is used to meet expected increases in benefits arising from future salary increases. Another substantial portion is allocated to pay for the excess of the value of unaccrued benefits over the "normal cost" contributions which will be made to fund them. The unfunded supplemental present value is determined for the purpose of spreading costs in an orderly fashion, and not to determine a liability at any point in time.

The December 31, 1982 actuarial valuation of the system reported that the present value of accrued benefits for all unretired members is fully funded and the present value of projected benefits to be earned in future years by present members is not fully funded. These two segments represent the unfunded supplemental present value which is the amount by which the accumulated entry age costs for all unretired members of the System exceed the assets available to meet benefit commitments. In determining present value of the accumulated plan benefits, the actuary used a 7.5% rate of return.

Investment growth is the prime reason for the actuarial gain which eliminated the prior year actuarial liability for accrued benefits and reduced the total unfunded supplemental present value.

The employer contribution rate adopted by the PERS Board for State agencies became 11.01% January 1, 1982, 11.62% on January 1, 1983, and decreased to 10.59% on January 1, 1984. The employer contribution for the calendar year 1985 was \$50,205 thousand.

8. Deferred Compensation

A deferred compensation program was authorized under Internal Revenue Code Section 457 and ORS 243.400 to 243.495. It is a benefit available to all state employees wherein they may execute an individual agreement with the state for amounts earned by them to be paid at a future date. Participants in the program are not required to pay federal and state income taxes on the deferred earnings until it is received. Participants cannot receive the funds until certain circumstances are met. These circumstances are termination by reason of death; disability; resignation; or retirement. Payments may be made over a period not to exceed the life expectancy of the participant and/or spouse.

Moneys accumulated by the State under the deferred compensation program are excluded from resources and disbursements for budgetary purposes. Such amounts represent a general liability of the State to its employees whose rights are equal to but not greater than the rights of other general creditors with respect to such amounts.

Moneys accumulated by the State under its deferred compensation plan have been transferred to the Executive Department for deposit with various financial institutions and insurance companies. These deposits are not subject to the collateral requirements of Oregon Law.

The deferred compensation activity is included in agency funds.

9. Compensated Absences

It is the State's policy to record the cost of employee leave at the time the leave is paid. Employee leave includes vacation leave, sick leave, and personal leave.

Only vacation leave meets the criteria to qualify for compensated absences:

- a. The employee's right to receive compensation is based on services already rendered;
- b. Rights are vested and accumulate;
- c. Payment of the compensation is probable; and
- d. The amount can be reasonably estimated.

The liability for compensated absences is calculated by each agency based on current salary costs as of June 30, 1985. The total liability is \$43,271 thousand.

10. Leases

Financial reporting and accounting procedures differ between operating leases and capital leases. Operating leases are rental agreements, and payments are chargeable as rent in the services and supplies expenditure/expense category. Capital leases are treated similar to purchases on contract. The property is capitalized at the present value when the lease is incurred and a corresponding liability is recorded.

The State has entered into various leases for buildings and equipment.

1. Capital leases represent 106,078 square feet at an annual cost of \$581,376 and operating leases represent 2,310,778 square feet at an annual cost of \$13,877,932.
2. Equipment and machinery rental and lease payment information was not determinable at the time of this report.

If the Oregon Legislature should disallow the necessary funding for particular leases, all lease agreements contain termination clauses which provide for cancellation of the lease at the end of a fiscal year. The liability for capital leases of real property is included in the financial report.

The minimum future lease payments for the next four years are:

	Capital Leases	Operating Leases	Annual Total
Fiscal year ending			
June 30, 1986	\$ 553,392	\$12,937,621	\$13,491,013
June 30, 1987	487,500	10,125,833	10,613,333
June 30, 1988	383,700	7,687,074	8,070,774
June 30, 1989	301,712	6,229,360	6,531,072
Total	\$1,726,304	\$36,979,888	\$38,706,192

Lease obligations decrease each year because of lease expirations. It is expected these leases will be replaced with leases which have higher rental rates due to inflationary pressures.

11. Long-term Debt

STATE OF OREGON SUMMARY OF CHANGES IN BONDED DEBT OUTSTANDING

(Expressed in Thousands)

	BONDS OUTSTANDING JULY 1, 1984	DEBT INCURRED THIS YEAR	DEBT REDUCED THIS YEAR	BONDS OUTSTANDING JUNE 30, 1985
<u>General Obligation Bonds</u>				
<u>General Fund Obligations</u>				
Community College Bonds	\$ 35,080	\$ -	\$ 1,350	\$ 33,730
Higher Education Facilities Bonds	59,695	-	2,365	57,330
Pollution Control Bonds	144,450	-	7,325	137,125
Total General Fund Obligations	\$ 239,225	\$ -	\$ 11,040	\$ 228,185
<u>Dedicated Fund Obligations</u>				
Oregon Veterans' Welfare Bonds	\$5,067,300	\$131,000	\$210,500	\$4,987,800
Higher Education Project Bonds	87,036	-	5,283	81,753
Oregon State Highway Bonds	55,300	-	18,300	37,000
Elderly Housing Bonds	87,405	11,300	290	98,415
Water Resources Bonds	22,885	2,865	750	25,000
Alternate Energy Bonds	58,205	19,050	365	76,890
Total Dedicated Fund Obligations	\$5,378,131	\$164,215	\$235,488	\$5,306,858
Total General Obligation Bonds	\$5,617,356	\$164,215	\$246,528	\$5,535,043
<u>Revenue Bonds</u>				
Housing Bonds	454,874	65,005	20,605	499,274
Total Obligation	\$6,072,230	\$229,220	\$267,133	\$6,034,317

General obligation debt of \$227,000 thousand is included in Notes and Bonds Payable - Current. Federal notes in the amount of \$60,000 thousand are also included.

One hundred million dollars tax exempt commercial paper and \$170 million tax notes of the Department of Veterans' Affairs is included under Notes Payable - Current in the Enterprise Funds. These short-term obligations are considered in determining the statutory limits on bonded debt obligations of Oregon.

No-commitment long-term debt refers to revenue bond debt issued to finance public purpose expenditures intended for beneficial ownership by private entities. Such debt bears the name of the State but is secured solely by the credit of the private entity and usually is serviced and administered by a trustee independent of the State.

No-commitment long-term debt issued by the Oregon Mass Transportation Financing Authority \$30,610 thousand and the Economic Development Department \$267,507 thousand are not included in the financial statements as they are not an obligation of the State of Oregon.

On October 11, 1983, Water Resources \$16,115 thousand bond issue was defeased. Securities necessary to retire the bonds were purchased and in the hands of a trustee at that date.

STATE OF OREGON
SUMMARY OF GENERAL OBLIGATION DEBT SERVICE

(Expressed in Thousands)

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL REQUIRED</u>
1985-86	\$ 249,328	\$ 399,065	\$ 648,393
1986-87	250,868	383,128	633,996
1987-88	257,654	368,688	626,342
1988-89	250,942	353,974	604,916
1989-90	263,077	339,880	602,957
1990-91	284,666	324,459	609,125
1991-92	281,690	305,341	587,031
1992-93	292,338	286,863	579,201
1993-94	295,254	267,981	563,235
1994-95	301,176	246,830	548,006
1995-96	301,866	224,494	526,360
1996-97	302,403	203,021	505,424
1997-98	292,606	181,007	473,613
1998-99	226,573	160,334	386,907
1999-00	216,449	141,710	358,159
2000-01	184,908	124,061	308,969
2001-02	185,876	108,209	294,085
2002-03	208,206	90,801	299,007
2003-04	156,105	75,184	231,289
2004-05	136,312	62,376	198,688
2005-06	114,480	50,761	165,241
2006-07	113,228	40,219	153,447
2007-08	111,087	29,840	140,927
2008-09	70,501	20,869	91,370
2009-10	56,480	14,406	70,886
2010-11	4,230	11,435	15,665
2011-12	3,770	10,975	14,745
2012-13	70,705	7,893	78,598
2013-14	4,135	4,806	8,941
2014-15	2,650	4,468	7,118
2015-16	2,885	4,213	7,098
2016-17	3,200	3,933	7,133
2017-18	3,545	3,620	7,165
2018-19	3,925	3,275	7,200
2019-20	4,355	2,892	7,247
2020-21	4,830	2,460	7,298
2021-22	5,360	1,995	7,355
2022-23	4,985	1,471	6,456
2023-24	5,535	969	6,504
2024-25	5,790	434	6,224
2025-26	1,070	110	1,180
TOTALS	<u>\$5,535,043</u>	<u>\$4,868,458</u>	<u>\$10,403,501</u>

HOUSING DIVISION
SUMMARY OF REVENUE BOND DEBT SERVICE

(Expressed in Thousands)

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL REQUIRED</u>
1986	\$ 21,405	\$ 37,867	\$ 59,272
1987	22,780	37,164	59,944
1988	19,405	35,764	55,169
1989	19,060	34,486	53,546
1990	18,730	33,187	51,917
1991-95	92,810	145,180	237,990
1996-2000	79,222	123,604	202,826
2001-05	82,668	103,344	186,012
2006-10	110,984	73,721	184,705
2011-15	31,661	97,806	129,467
2016-20	549	12,801	13,350
TOTALS	\$499,274	\$734,924	\$1,234,198

12. Interfund Receivables and Payables

A summary of interfund receivables and payables at June 30, 1985, follows:

(Expressed in Thousands)

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 24,161	\$ 18,806
Special Revenue Funds	92,050	108,941
Debt Service Funds	828	-
Capital Projects Funds	2,572	672
Enterprise Funds	413	22,786
Internal Service Funds	21	7,143
Trust and Agency Funds	41,535	3,232
College and University Funds	85	85
Total	\$161,665	\$161,665

13. Unemployment Benefits

State departments are subject to the Department of Employment Act. State employees who qualify are entitled to benefit payments during periods of unemployment. Each state department is required to reimburse the Employment Division for benefit payments made to their former employees. There appears to be no practical method of estimating the amount of future benefit payments which may be made to former employees for wage credits earned prior to June 30. Consequently, this potential obligation is not included in the accompanying financial statements. However, the total expenditure for the year is \$945 thousand.

14. Insurance

The Department of General Services administers property and casualty insurance programs for state agencies. The following statewide insurance coverages are provided to all state agencies:

Property Insurance

The Restoration Fund established under ORS 278.020 provides a self insurance program for loss or damage to state property caused by specified perils. A commercial reinsurance policy with limits of \$200 million provides financial stability to the fund in the event of catastrophic losses.

Liability Insurance

The Liability Fund established under ORS 278.100 provides a self insurance program for Tort liability claims brought against the State, its officers, employees and agents under ORS 30.260 to ORS 30.300. Self insurance coverage is also provided for vehicle liability arising out of the use of owned, leased or controlled vehicles.

ORS 30.270 limits the liability of the State and its officers, employees and agents to:

1. \$50,000 to any claimant for any number of claims for damage to or destruction of property, including consequential damages arising out of single accident or occurrence.
2. \$100,000 to any claimant for all other claims arising out of a single accident or occurrence.
3. \$300,000 for any number of claims arising out of a single accident or occurrence.

Blanket Honesty and Faithful Performance Bond

All employees, including elected officials and members of boards and commissions are covered. The current bond provides indemnity limits of \$100,000 per employee plus \$5 million per occurrence. Additional per employee limits of from \$100,000 to \$300,000 are provided for the State Treasurer's Office, the Director of the Department of Transportation, and employees of the State Fair and Exposition Center.

Other

Various specific insurance policies are purchased when an agency has a particular insurance requirement not covered by the statewide self-insurance program.

The long-term liabilities of the Internal Service Fund include \$14,647 thousand in reported insurance claims, unreported (but anticipated) claims, and legal expense relative to the claims. The estimates for unreported claims was determined using historical data of the self-insurance funds and recommended by an actuarial consultant.

15. Agency Fund Activities for the Year

(Expressed in Thousands)

Amount Carried Over From Prior Period		\$ 6,252
<u>Collections</u>		
Selective Sales and Use Taxes	\$ 8,582	
Gross Receipts Business Taxes	3,855	
Employer-Employee Taxes	48,827	
Severance Taxes	28,620	
Business Licenses and Fees	2,165	
Nonbusiness Licenses and Fees	3,973	
Federal Revenues	3,266	
Charges for Services	1,253	
Fines and Forfeitures	(2,960)	
Interest	324	
Contributions	364,447	
Sales Income	122	
Other	1,367	
Reimbursements	128,430	592,271
Total Collections and Accruals		<u>\$598,523</u>
<u>Distributions</u>		
Distributions to Cities	\$ 3,763	
Distributions to Counties	94,790	
Distributions to Nongovernmental Units	969	
Distributions to Other Governmental Units	364,725	
Distributions to Individuals	134,276	
Total Distributions		<u>\$598,523</u>

16. Segment Information for Enterprise Funds

(Expressed in Thousands)

	<u>COMMERCE</u>	<u>VETERANS' AFFAIRS</u>	<u>STATE HOSPITALS</u>	<u>STATE LOTTERY</u>	<u>LIQUOR COMMISSION</u>	<u>ENERGY</u>	<u>WATER RESOURCES</u>	<u>STATE ACC. INSURANCE</u>	<u>OTHER</u>
Primary Type of Service	<u>Make Loans</u>	<u>Make Loans</u>	<u>Patient Care</u>	<u>Ticket Sales</u>	<u>Liquor Sales</u>	<u>Make Loans</u>	<u>Make Loans</u>	<u>Insurance Sales</u>	<u>Misc.</u>
Operating Revenue	\$ 57,058	\$ 373,195	\$ 62,804	\$ 42,489	\$ 80,267	\$ 8,245	\$ 2,321	\$210,504	\$ 8,672
Depreciation and Amortization Expense	\$ 7	\$ 486	\$ 1,621	\$ 71	\$ 208	\$ 2	\$ 2	\$ 968	\$ 324
Operating Income (Loss)	\$ 6,111	\$ (38,089)	\$ (21,119)	\$ 14,479	\$ 46,188	\$ (149)	\$ 84	\$ (29,954)	\$ 2,480
Federal Revenue	\$ 440	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000
Operating Transfers-In (Out)	\$ -	\$ 26	\$ 19,147	\$ (14,414)	\$ (46,553)	\$ 3	\$ (33)	\$ 430	\$ 21
Tax Revenues	\$ -	\$ -	\$ -	\$ -	\$ 10,899	\$ -	\$ -	\$ -	\$ -
Net Income (Loss)	\$ 6,111	\$ (38,063)	\$ (1,972)	\$ 65	\$ (365)	\$ (146)	\$ 51	\$ (29,524)	\$ 2,501
Plant, Property, and Equipment									
Additions	\$ 24	\$ 468	\$ -	\$ 1,162	\$ 607	\$ 17	\$ -	\$ 5,878	\$ 221
Deletions	\$ -	\$ (58)	\$ (4,865)	\$ -	\$ (48)	\$ -	\$ -	\$ -	\$ -
Net Working Capital	\$ 50,968	\$ (49,967)	\$ (6,997)	\$ (107)	\$ (844)	\$ (7,033)	\$ 545	\$ 46,496	\$ 1,266
Total Assets	\$667,817	\$5,496,402	\$ 40,834	\$25,266	\$ 35,275	\$91,467	\$26,060	\$932,009	\$23,031
Bonds and Other Long-Term Liabilities Payable from Operations	\$597,712	\$4,778,303	\$ 2,059	\$ 921	\$ 209	\$76,902	\$25,011	\$792,406	\$ 3,460
Total Equity	\$ 44,522	\$ 36,507	\$ 25,230	\$ 65	\$ 17,364	\$ 122	\$ 520	\$116,894	\$18,908

17. Contingent liabilities

A loss contingency is reasonably possible for claims against the Workers' Reemployment and Handicapped Workers Reserves estimated at \$2,230 thousand and \$18,495 thousand, respectively.

The Legislature passed a bill allowing a minimum 5% cost of living increase to State employees for the 1986 fiscal year. This affects the short-term compensated absence liability. However, the potential loss contingency cannot be reasonably estimated.

Pending litigation as of June 30, 1985, that exceeded \$25,000 thousand individually included:

- a. Eckles vs State - The suit against the State of Oregon claims that the June 1983 statutory \$81,000 thousand transfer of SAIF (State Accident Insurance Corporation) surplus to the State General Fund was illegal. The State prevailed but the plaintiff appealed. Liability to the State is remote.
- b. State ex rel Eckles vs Livermore - The second Eckles lawsuit held that SAIF was illegally formed by the Legislature as a private corporation and therefore the corporation reverted back to its former status as a state agency. A cross appeal in that suit was filed claiming that SAIF should revert to the status of a private association. It is possible the claim may affect the \$81,000 thousand transfer.
- c. Penk vs State of Oregon The case alleged discrimination of pay for equal work. The court found in favor of the State except for \$12 thousand for three individuals. The \$33,000 thousand class action suit has been appealed but liability to the State is remote.
- d. Out of State insurance companies filed petitions seeking rulings from the Oregon Insurance Commissioner that they were entitled to refunds on taxes paid on gross insurance premiums for the years between 1970 to 1981. The possible liability is \$200,000 thousand.
- e. Topliff, et al vs State. This \$15 million case resulted from an accident incurred in the State of Washington by the University of Oregon wrestling team. Potential liability of \$4 million is possible but may be less as the insurance carrier is the primary insurer.
- f. S J Groves vs State. This \$1.5 million is an alleged breach of contract claim arising from a construction contract. The possible liability will not exceed \$500 thousand.
- g. State vs Clackamas County Community College. This case is a condemnation action to acquire a portion of the campus for relocation of a state highway. Possible liability is \$500 thousand.
- h. Proceedings before Health and Human Services Grant Appeals Board. The federal government determined the State wrongfully received 75% reimbursement rather than a proper 50% reimbursement. Possible liability is \$1.3 million.
- i. Proceedings before US Department of Agriculture Grant Appeals Board. The federal administrative audit determined the State had exceeded its allowable error rate for eligibility for food stamps. Possible liability is \$1.6 million.

Some of the buildings such as the one occupied by the Employment Division, were either paid for or were leased utilizing, at least in part, federal funds which may create a federal equity in the property. Any federal equities in the State's fixed assets cannot be determined at this time and are not reflected in this report.

18. Subsequent events

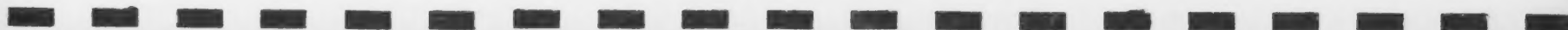
The following bonded debt has been incurred since June 30, 1985:

a. July 1985	Board of Higher Education	\$ 18,205 thousand
b. August 1985	Department of Veterans' Affairs	\$156,468 thousand
c. October 1985	Department of Energy	\$ 13,900 thousand
d. October 1985	Department of Veterans' Affairs	\$156,935 thousand
e. November 1985	Department of Veterans' Affairs	\$180,000 thousand

In October 1985, Tri-County Metropolitan Transportation District issued \$33,550 thousand bonds to defease all bonds previously issued by Oregon Mass Transportation Financing Authority.

**COMBINING FINANCIAL
STATEMENTS**





GENERAL FUND

The General Fund accounts for ordinary operations financed by appropriations from general revenues and used for general governmental purposes.

STATE OF OREGON
COMBINING BALANCE SHEET
GENERAL FUND

(Expressed in Thousands)

	JUNE 30,	
	1985	1984
<u>ASSETS</u>		
Cash and Pooled Investments	\$240,026	\$(96,690)
Investments - Treasury	-	37,412
Accounts Receivable	8,420	35
Interest Receivable	7,015	7,535
Interfund Receivables	24,161	265,936
Taxes Receivable	174,922	-
Inventories	12,168	10,772
Contracts, Mortgages, and Notes Receivable	5,476	4,841
Prepaid Expenses	8	-
Total Assets	<u>\$472,196</u>	<u>\$229,841</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>Liabilities</u>		
Accounts Payable	\$193,787	\$ 37,824
Interfund Payables	18,806	41,661
Deferred Income	153,488	4,842
Vacations Payable	3,570	3,570
Total Liabilities	<u>\$369,651</u>	<u>\$ 87,897</u>
<u>Fund Equity</u>		
Reserves - Other	\$ 8	\$ 37
Reserve for Inventories	12,168	10,772
Fund Balance - Unreserved	90,369	131,135
Total Fund Equity	<u>\$102,545</u>	<u>\$141,944</u>
Total Liabilities and Fund Equity	<u>\$472,196</u>	<u>\$229,841</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES
GENERAL FUND

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30,	
	1985	1984
<u>Revenue</u>		
Income Taxes	\$1,325,149	\$1,365,762
Selective Sales and Use Taxes	52,734	53,152
Gross Receipts Business Taxes	38,268	34,125
Inheritance and Gift Taxes	29,201	33,705
Severance Taxes	2,049	1,803
Other Taxes	-	401
Business Licenses and Fees	5,171	4,682
Nonbusiness Licenses and Fees	1,145	2,316
Federal Revenues	118	107
Charges for Services	6,142	5,939
Fines and Forfeitures	20,287	18,650
Rents and Royalties	132	135
Interest Income	24,564	29,432
Sales Income	3,437	36,858
Other Revenue	12,859	12,752
Total Revenue	\$1,521,256	\$1,599,819
<u>Other Financing Sources (Uses)</u>		
Operating Transfers-in	34,264	415
Operating Transfers-out	(923,842)	(876,610)
Leases Incurred	729	-
Net Revenue	\$ 632,407	\$ 723,624

Prepared without audit - see letter of transmittal for comments.
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STATE OF OREGON
COMBINING STATEMENT OF EXPENDITURES
GENERAL FUND

(Expressed in Thousands)

	<u>FISCAL YEAR ENDED JUNE 30,</u>	
	<u>1985</u>	<u>1984</u>
<u>EXPENDITURES BY CATEGORY</u>		
Personal Services	\$242,320	\$230,676
Services and Supplies	94,827	81,595
Capital Outlay	11,651	5,279
Special Payments	324,207	316,969
Debt Service	168	-
Total Expenditures by Category	<u>\$673,173</u>	<u>\$634,519</u>
<u>EXPENDITURES BY PROGRAM</u>		
Economic Development and Consumer Services	\$ 19,913	\$ 14,309
Education	96,863	70,194
Human Resources	364,691	375,341
Natural Resources	21,196	19,866
Public Safety	49,278	47,269
Transportation	3,970	4,334
Administration and Support	38,093	36,583
Legislative	13,582	9,574
Judicial	65,587	57,049
Total Expenditures by Program	<u>\$673,173</u>	<u>\$634,519</u>

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The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN GENERAL FUND EQUITY
(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30,	
	<u>1985</u>	<u>1984</u>
Fund Equity previously reported	\$145,514	\$ 55,581
Cumulative effect on prior years restatement for accounting change	<u>(3,570)</u>	<u>(3,570)</u>
Fund Equity - Beginning (restated)	\$141,944	\$ 52,011
Revenues	632,407	723,624
Expenditures	(673,173)	(634,519)
Changes in Reserves		
Increase in Reserve for Inventories	1,396	819
Increase in Reserves - Other	<u>(29)</u>	<u>9</u>
Fund Equity - Ending	<u>\$102,545</u>	<u>\$141,944</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND

(Expressed in Thousands)

	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenue</u>				
Income Taxes	\$2,795,624	\$1,365,762	\$1,473,286	\$ 43,424
Selective Sales and Use Taxes	106,936	53,153	52,734	(1,049)
Gross Receipts Business Taxes	71,650	34,126	38,268	744
Inheritance and Gift Taxes	64,489	33,705	29,201	(1,583)
Severance Taxes	-	1,802	2,049	3,851
Other Taxes	5,000	401	-	(4,599)
Business Licenses and Fees	10,432	4,682	5,171	(579)
Nonbusiness Licenses and Fees	13,454	2,316	1,145	(9,993)
Federal Revenues	-	106	118	224
Charges for Services	11,654	5,939	6,142	427
Fines and Forfeitures	24,544	18,650	20,287	14,393
Rents and Royalties	-	135	132	267
Interest Income	39,782	29,431	24,564	14,213
Sales Income	71,965	36,857	3,437	(31,671)
Other Revenue	32,285	12,752	12,859	(6,674)
Total Revenue	\$3,247,815	\$1,599,817	\$1,669,393	\$ 21,395
<u>Expenditures</u>				
Personal Services	\$ 484,140	\$ 229,678	\$ 242,757	\$ 11,705
Services and Supplies	180,748	81,498	95,058	4,192
Capital Outlay	12,659	5,304	11,094	(3,739)
Special Payments	2,015,894	966,669	1,000,265	48,960
Total Expenditures	\$2,693,441	\$1,283,149	\$1,349,174	\$ 61,118
Excess (Deficiency) of Revenues over Expenditures	\$ 554,374	\$ 316,668	\$ 320,219	\$ 82,513
Other Financing Sources (Uses)				
Operating Transfers-in - Interfund	-	415	34,324	34,739
Operating Transfers-out - Interfund	(464,008)	(221,764)	(247,955)	(5,711)
Excess (Deficiency) of Revenues over Expenditures and Other Uses	\$ 90,366	\$ 95,319	\$ 106,588	\$111,541
Fund Equity previously reported		\$ 55,581	\$ 145,514	
Cumulative effect on prior years restatement for accounting change		(3,570)	(3,570)	
Fund Equity Beginning (restated)		\$ 52,011	\$ 141,944	
Adjustments recorded during the year, but charged to prior biennia:				
Revenue		(443)	188	
Expenditures		(5,771)	(265)	
Increase (Decrease) in Reserves				
Inventories		819	1,396	
Other		9	(29)	
GAAP Reclassification of Fund Equity		-	(147,277)	
Fund Equity Ending		\$ 141,944	\$ 102,545	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.



SPECIAL REVENUE FUNDS

Special Revenue Funds account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulations.

STATE OF OREGON
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS

(Expressed in Thousands)

	<u>ECON. DEV. & CONSUMER SERVICES</u>	<u>EDUCATION</u>	<u>HUMAN RESOURCES</u>	<u>NATURAL RESOURCES</u>
<u>ASSETS</u>				
Cash on Hand and in Banks	\$ 5	\$ 1	\$ 8	\$ 3
Cash and Pooled Investments	39,805	15,078	19,010	37,436
Investments - State Treasury	54,218	-	4,259	-
Investments - Other	-	-	-	-
Securities Held in Trust	-	-	-	-
Advances Receivable	55	-	1,050	28
Interest Receivable	1,356	-	-	16
Accounts Receivable	4,303	9,067	44,060	10,198
Interfund Receivables	223	6,169	21,841	4,913
Inventories	1,263	58	1,045	6,178
Prepaid Expenses	15	-	8	488
Contracts, Notes, and Mortgages Receivable	428	11,294	170	157,318
Total Assets	<u>\$101,671</u>	<u>\$41,667</u>	<u>\$91,451</u>	<u>\$216,578</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Accounts and Interest Payable	\$ 13,673	\$17,313	\$24,248	\$ 12,496
Interfund Payables	1,448	621	50,577	5,271
Trust Funds Payable	19	2	41	136
Vacation Payable - Short Term	626	61	1,517	625
Notes Payable - Short Term	-	-	-	-
Deferred Income	529	11,299	4,905	161,572
Total Liabilities	<u>\$ 16,295</u>	<u>\$29,296</u>	<u>\$81,288</u>	<u>\$180,100</u>
<u>Fund Equity</u>				
Reserve for Inventories	\$ 1,263	\$ 58	\$ 1,045	\$ 6,178
Reserve for Revolving Accounts	213	8	254	125
Reserves - Other	15	-	8	7
Fund Balance - Unreserved	83,885	12,305	8,856	30,168
Total Fund Equity	<u>\$ 85,376</u>	<u>\$12,371</u>	<u>\$10,163</u>	<u>\$ 36,478</u>
Total Liabilities and Fund Equity	<u>\$101,671</u>	<u>\$41,667</u>	<u>\$91,451</u>	<u>\$216,578</u>

<u>PUBLIC SAFETY</u>	<u>TRANSPOR- TATION</u>	<u>ADMINI. & SUPPORT SERVICES</u>	<u>LEGISLATIVE</u>	<u>JUDICIAL</u>	<u>JUNE 30,</u>	
					<u>1985</u>	<u>1984</u>
\$ 6 4,106	\$ 23 41,133	\$ 24 19,644	\$ - 1,587	\$ 11 82	\$ 81 177,881	\$ 63 197,198
-	34,019	-	-	-	92,496	50,833
-	68	-	3	-	71	-
23	10	5	-	12	1,183	151
-	469	-	-	26	1,867	235
407	47,764	3,522	37	-	119,358	2,003
656	42,021	16,226	-	1	92,050	71,393
30	10,124	19	124	-	18,841	106,125
-	-	-	-	-	511	16,729
-	14,632	149	-	-	183,991	498
<u>\$5,228</u>	<u>\$190,263</u>	<u>\$39,589</u>	<u>\$1,751</u>	<u>\$ 132</u>	<u>\$688,330</u>	<u>\$669,597</u>
\$1,828 264	\$ 45,532 39,725	\$ 8,634 10,983	\$ 74 -	\$ - 52	\$123,798 108,941	\$102,171 73,297
-	-	1,797	1	-	1,996	583
118	1,371	49	1	-	4,368	4,368
-	-	-	-	-	-	5,610
31	18,705	167	-	-	197,208	232,444
<u>\$2,241</u>	<u>\$105,333</u>	<u>\$21,630</u>	<u>\$ 76</u>	<u>\$ 52</u>	<u>\$436,311</u>	<u>\$418,473</u>
\$ 30 87	\$ 10,124 875	\$ 19 -	\$ 124 -	\$ - -	\$ 18,841 1,562	\$ 16,729 1,506
-	-	-	-	-	30	44
2,870	73,931	17,940	1,551	80	231,586	232,845
<u>\$2,987</u>	<u>\$ 84,930</u>	<u>\$17,959</u>	<u>\$1,675</u>	<u>\$ 80</u>	<u>\$252,019</u>	<u>\$251,124</u>
<u>\$5,228</u>	<u>\$190,263</u>	<u>\$39,589</u>	<u>\$1,751</u>	<u>\$ 132</u>	<u>\$688,330</u>	<u>\$669,597</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY
SPECIAL REVENUE FUNDS

(Expressed in Thousands)

	<u>ECONOMIC DEV. & CONSUMER SERV.</u>	<u>EDUCATION</u>	<u>HUMAN RESOURCES</u>	<u>NATURAL RESOURCES</u>
<u>Revenue</u>				
Selective Sales and Use Taxes	\$ 84,813	\$ -	\$ -	\$ -
Gross Receipts Business Taxes	5,053	-	-	-
Employer - Employee Taxes	108,759	-	-	-
Severance Taxes	-	-	-	-
Other Taxes	-	-	-	-
Business Licenses and Fees	13,092	698	2,921	2,051
Nonbusiness Licenses and Fees	1,950	-	2,101	21,287
Federal Revenues	24,743	101,693	457,233	27,674
Charges for Services	6,395	3,430	19,798	9,167
Fines and Forfeitures	483	-	(94)	45
Rents and Royalties	8	143	50	75
Interest Income	7,203	1,059	406	125
Sales Income (Net)	1,916	832	2,580	24,255
Donations and Grants (Nonfederal)	7	2,225	95	15
Other Revenue	1,072	492	259	1,289
Total Revenue	<u>\$255,494</u>	<u>\$110,572</u>	<u>\$485,349</u>	<u>\$85,983</u>
<u>Other Financing Sources (Uses)</u>				
Bond Sales	\$ -	\$ -	\$ -	\$ -
Operating Transfers-in - Interfund	2,527	452,645	100,926	3,919
Operating Transfers-out - Interfund	(76,756)	(6,508)	(103,016)	(4,885)
Loan Repayments	-	1,087	-	36
Loan Proceeds	-	-	-	-
Leases Incurred	21	3	53	7
Total Other Financing Sources (Uses)	<u>\$(74,208)</u>	<u>\$447,227</u>	<u>\$ (2,037)</u>	<u>\$ (923)</u>
Total Revenue and Other Financing Sources (Uses)	<u>\$181,286</u>	<u>\$557,799</u>	<u>\$483,312</u>	<u>\$85,060</u>
<u>Expenditures</u>				
Personal Services	\$ 45,461	\$ 4,789	\$107,008	\$36,845
Services and Supplies	87,676	5,344	44,380	24,741
Capital Outlay	2,290	953	3,380	1,878
Special Payments	24,144	546,184	331,339	25,342
Debt Service	17	-	14	26
Nonlimited	-	-	-	-
Total Expenditures	<u>\$159,588</u>	<u>\$557,270</u>	<u>\$486,921</u>	<u>\$88,832</u>
Excess Revenue Over Expenditures	<u>\$ 21,698</u>	<u>\$ 529</u>	<u>\$ (3,609)</u>	<u>\$(3,772)</u>
Fund Equity previously reported	<u>\$ 61,208</u>	<u>\$ 44,134</u>	<u>\$ 15,121</u>	<u>\$38,767</u>
Cumulative effect on prior years restatement for accounting change:				
Higher Education	-	(32,935)	-	-
Compensated Absences	(626)	(61)	(1,517)	(625)
Fund Equity - Beginning (restated)	<u>\$ 60,582</u>	<u>\$ 11,138</u>	<u>\$ 13,604</u>	<u>\$38,142</u>
Increase (Decrease) in Reserves				
Inventories	209	67	141	612
Revolving Accounts	21	-	36	-
Other	1	-	(9)	(6)
Prior Period Adjustments	<u>2,865</u>	<u>637</u>	<u>-</u>	<u>1,502</u>
Fund Equity - Ending	<u>\$ 85,376</u>	<u>\$ 12,371</u>	<u>\$ 10,163</u>	<u>\$36,478</u>

PUBLIC SAFETY	TRANSPOR- TATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	FISCAL YEAR ENDED	
					1985	JUNE 30, 1984
\$ -	\$121,411	\$ 6,211	\$ -	\$ -	\$ 212,435	\$ 201,212
-	-	306	-	-	5,359	4,409
-	-	-	-	-	108,759	96,037
-	-	358	-	-	358	-
-	-	13,756	-	-	13,756	-
241	488	54	-	-	19,545	22,814
-	65,946	1,384	-	-	92,668	86,763
4,544	179,347	135,334	-	-	930,569	739,138
4,951	33,257	5,173	1	-	82,228	92,258
443	-	-	57	-	878	1,295
365	2,387	1	1	-	3,362	3,157
17	9,478	10	333	-	18,298	19,079
206	2,042	(79)	467	73	32,292	35,437
6	108	353	57	1	2,867	1,908
(4)	1,506	2,465	9	(2)	7,086	7,763
<u>\$10,769</u>	<u>\$415,970</u>	<u>\$165,326</u>	<u>\$ 925</u>	<u>\$ 72</u>	<u>\$1,530,460</u>	<u>\$1,311,270</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (27)
6,927	93,348	233,184	-	-	893,476	921,754
(2,412)	(34,715)	(23,860)	-	-	(252,152)	(414,326)
-	-	-	-	-	1,123	782
-	(104)	14,731	7	(18)	14,616	177
-	226	-	-	-	310	-
<u>\$ 4,515</u>	<u>\$ 58,755</u>	<u>\$224,055</u>	<u>\$ 7</u>	<u>\$ (18)</u>	<u>\$ 657,373</u>	<u>\$ 508,360</u>
<u>\$15,284</u>	<u>\$474,725</u>	<u>\$389,381</u>	<u>\$ 932</u>	<u>\$ 54</u>	<u>\$2,187,833</u>	<u>\$1,819,630</u>
\$ 9,556	\$114,208	\$ 3,860	\$ 135	\$ -	\$ 322,662	\$ 308,946
3,346	297,944	2,262	903	-	466,596	415,168
468	5,564	208	127	-	14,868	6,792
1,794	80,190	367,951	-	-	1,376,944	1,058,747
-	8	-	-	-	65	51
-	-	-	-	-	-	4
<u>\$15,164</u>	<u>\$497,914</u>	<u>\$374,231</u>	<u>\$1,165</u>	<u>\$ -</u>	<u>\$2,181,135</u>	<u>\$1,789,708</u>
\$ 120	\$(23,189)	\$ 15,100	\$(233)	\$ 54	\$ 6,698	\$ 29,922
\$ 2,994	\$121,342	\$ 2,937	\$1,897	\$ 27	\$ 288,427	\$ 231,261
-	-	-	-	-	(32,935)	(7,726)
(118)	(1,371)	(49)	(1)	-	(4,368)	(4,368)
\$ 2,876	\$119,971	\$ 2,888	\$1,896	\$ 27	\$ 251,124	\$ 219,167
(9)	1,110	(29)	12	(1)	2,112	(2,616)
-	-	-	-	-	57	7
-	-	-	-	-	(14)	(171)
-	(12,962)	-	-	-	(7,958)	4,815
<u>\$ 2,987</u>	<u>\$ 84,930</u>	<u>\$ 17,959</u>	<u>\$1,675</u>	<u>\$ 80</u>	<u>\$ 252,019</u>	<u>\$ 251,124</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
SPECIAL REVENUE FUND

(Expressed in Thousands)

	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
Revenue				
Selective Sales and Use Taxes	\$ 125,010	\$ 23	\$ 193,540	\$ 68,553
Gross Receipts Business Taxes	9,757	4,409	5,359	11
Employer-Employee Taxes	76,694	50,152	53,942	27,400
Severance Taxes	-	-	358	358
Other Taxes	-	-	13,756	13,756
Business Licenses and Fees	66,365	22,761	19,679	(23,925)
Nonbusiness Licenses and Fees	105,284	27,869	92,347	14,932
Federal Revenue	1,582,845	716,645	820,392	(45,808)
Charge for Services	124,371	65,919	77,615	19,163
Fines and Forfeitures	1,545	1,111	530	96
Rents and Royalties	4,226	3,119	3,438	2,331
Interest Income	9,458	14,237	12,903	17,682
Sales Income (Net)	84,752	32,890	30,636	(21,226)
Donations and Grants (Nonfederal)	5,117	1,809	2,796	(512)
Other Revenue	62,637	33,808	7,132	(21,697)
Total Revenue	\$2,258,061	\$ 974,752	\$1,334,423	\$ 51,114
Expenditures				
Personal Services	\$ 677,749	\$ 308,062	\$ 319,684	\$ 50,003
Services and Supplies	927,781	355,229	398,437	174,115
Capital Outlay	18,985	6,208	14,528	(1,751)
Special Payments	1,062,211	408,829	510,386	142,996
Debt Service	-	16	(16)	-
Total Expenditures	\$2,686,726	\$1,078,344	\$1,243,019	\$ 365,363
Excess (Deficiency) of Revenues Over Expenditures	\$ (428,665)	\$ (103,592)	\$ 91,404	\$ 416,477
Other Financing Sources (Uses)				
Nonlimited Expenditures	-	(837,557)	(675,294)	(1,512,851)
Nonlimited Revenue	-	776,024	651,647	1,427,671
Operating Transfers-in	830,038	443,981	705,779	319,722
Operating Transfers-out	(293,215)	(152,768)	(484,950)	(344,503)
Transfers Out - Other	(3,704)	-	(195,382)	(191,678)
Transfers to Counties and Cities	(172,792)	(87,052)	(97,368)	(11,628)
Bond Sales	60,000	-	-	(60,000)
Loan Repayments	-	49	36	85
Loan Proceeds	-	-	14,608	14,608
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ (8,338)	\$ 39,085	\$ 10,480	\$ 57,903
Fund Equity previously reported		\$ 231,261	\$ 288,427	
Cumulative effect on prior years restatement for accounting change:				
Higher Education		(7,726)	(32,935)	
Compensated Absences		(4,368)	(4,368)	
Fund Equity Beginning (restated)		\$ 219,167	\$ 251,124	
Transactions Recorded During the Year But Charged to Prior Biennia				
Revenue		(4,932)	1,041	
Expenditures		(4,231)	(59)	
Increase (Decrease) in Reserves				
Inventories		(2,616)	2,112	
Revolving Accounts		7	57	
Other		(171)	(14)	
GAAP Reclassification of Fund Equity			(4,764)	
Prior Period Adjustments		4,815	(7,958)	
Fund Equity Ending		\$ 251,124	\$ 252,019	

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DEBT SERVICE FUNDS

Debt Service Funds account for the accumulation of resources for and the payment of interest and principal on long-term debt other than special assessment and revenue bonds.

STATE OF OREGON
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS

(Expressed in Thousands)

	<u>CUSTODIAL STATE TREASURY</u>	<u>CUSTODIAL SECRETARY OF STATE</u>
<u>ASSETS</u>		
Cash and Pooled Investments	\$ 34	\$ 2
Cash with Fiscal Agent	6,611	-
Investments - State Treasury	-	-
Interest Receivable	-	-
Interfund Receivable	-	-
Contracts, Mortgages & Notes Receivable	-	453
Total Assets	<u>\$ 6,645</u>	<u>\$ 455</u>
<u>LIABILITIES AND FUND EQUITY</u>		
Liabilities		
Accounts Payable	\$ -	\$ -
Interfund Payable	-	-
Matured Bonds Payable	6,645	-
Deferred Income	-	453
Total Liabilities	<u>\$ 6,645</u>	<u>\$ 453</u>
Fund Equity		
Fund Balance - Unreserved	\$ -	\$ 2
Total Fund Equity	<u>\$ -</u>	<u>\$ 2</u>
Total Liabilities and Fund Equity	<u>\$ 6,645</u>	<u>\$ 455</u>

BOND ISSUE			JUNE 30,	
COMMUNITY COLLEGE & ED CENTER	OREGON POLLUTION CONTROL	OREGON STATE HIGHWAY	1985	1984
\$ 324	\$27,695	\$ -	\$28,055	\$20,030
-	-	-	6,611	3,030
-	-	-	-	10,005
-	2,328	-	2,328	2,637
-	-	828	828	878
-	-	-	453	-
<u>\$ 324</u>	<u>\$30,023</u>	<u>\$ 828</u>	<u>\$38,275</u>	<u>\$36,580</u>
\$ 321	\$ -	\$ -	\$ 321	\$ 2,144
-	-	-	-	5,386
-	-	-	6,645	3,070
-	-	-	453	-
<u>\$ 321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,419</u>	<u>\$10,600</u>
\$ 3	\$30,023	\$ 828	\$30,856	\$25,980
\$ 3	\$30,023	\$ 828	\$30,856	\$25,980
<u>\$ 324</u>	<u>\$30,023</u>	<u>\$ 828</u>	<u>\$38,275</u>	<u>\$36,580</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY
DEBT SERVICE FUNDS

(Expressed in Thousands)

	BOND ISSUE				
	CUSTODIAL SECRETARY OF STATE	COMMUNITY COLLEGE & ED. CENTER	OREGON POLLUTION CONTROL	OREGON STATE HIGHWAY	HIGHER EDUCATION
Revenue					
Selective Sales and Use Taxes	\$ -	\$ -	\$ -	\$ 1,534	\$ -
Interest Income	59	10	10,234	-	-
Total Revenue	\$ 59	\$ 10	\$10,234	\$ 1,534	\$ -
Expenditures					
Services and Supplies	\$ 88	\$ -	\$ -	\$ -	\$ -
Special Payments	77	-	-	-	-
Debt Service					
Principal	-	1,350	7,325	18,300	-
Interest	-	1,877	9,302	2,685	-
Other	-	-	-	-	-
Total Expenditures	\$ 165	\$ 3,227	\$16,627	\$ 20,985	\$ -
Excess Revenue Over Expenditures	\$ (106)	\$(3,217)	\$(6,393)	\$(19,451)	\$ -
Other Financing Sources (Uses)					
Operating Transfers-in - Interfund	\$ 2	\$ 3,218	\$ -	\$ 19,928	\$ -
Transfers from General Fund	-	-	-	-	-
Operating Transfers-out - Interfund	-	-	(44)	-	-
Loan Repayments	106	-	4,113	-	-
Total Other Financing Sources (Uses)	\$ 108	\$ 3,218	\$ 4,069	\$ 19,928	\$ -
Excess Revenue Over Expenditures and Uses	\$ 2	\$ 1	\$(2,324)	\$ 477	\$ -
Fund Equity previously reported	\$ -	\$ 2	\$32,347	\$ (6,369)	\$ 471
Cumulative effect on prior years restatement for accounting change	-	-	-	-	(471)
Fund Equity - Beginning (restated)	\$ -	\$ 2	\$32,347	\$ (6,369)	\$ -
Prior Period Adjustment	-	-	-	6,720	-
Fund Equity - Ending	\$ 2	\$ 3	\$30,023	\$ 828	\$ -

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

FISCAL YEAR ENDED JUNE 30,	
1985	1984

\$ 1,534	\$ 1,854
<u>10,303</u>	<u>10,808</u>
\$ 11,837	\$ 12,662
\$ 88	\$ 8
<u>77</u>	<u>(1,861)</u>
26,975	11,150
<u>13,864</u>	<u>14,982</u>
-	(8)
\$ 41,004	\$ 24,271
<u>\$(29,167)</u>	<u>\$(11,609)</u>
\$ 23,148	\$ (155)
-	3,284
(44)	5,342
<u>4,219</u>	<u>3,414</u>
\$ 27,323	\$ 11,885
\$ (1,844)	\$ 276
\$ 26,451	\$ 54,084
<u>(471)</u>	<u>(28,380)</u>
\$ 25,980	\$ 25,704
<u>6,720</u>	<u>-</u>
\$ 30,856	\$ 25,980

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
DEBT SERVICE FUND

(Expressed in Thousands)

	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenue</u>				
Selective Sales and Use Taxes	\$ 2,803	\$ 1,413	\$ 1,534	\$ 144
Total Revenue	\$ 2,803	\$ 1,413	\$ 1,534	\$ 144
<u>Expenditure</u>				
Debt Service	\$ 29,159	\$ 8,176	\$ 20,985	\$ (2)
Total Expenditures	\$ 29,159	\$ 8,176	\$ 20,985	\$ (2)
Excess (Deficiency) of Revenues Over Expenditures	\$(26,356)	\$ (6,763)	\$(19,451)	\$ 142
<u>Other Financing Sources (Uses)</u>				
Nonlimited Expenditures	-	(13,350)	(20,019)	(33,369)
Nonlimited Revenues	-	14,370	17,694	32,064
Operating Transfers-in - Interfund	27,019	6,517	19,928	(574)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ 663	\$ 774	\$ (1,848)	\$ (1,737)
Fund Equity previously reported		\$ 54,084	\$ 26,451	
Cumulative effect on prior years restatement for accounting change		(28,380)	(471)	
Fund Equity Beginning (restated)		\$ 25,704	\$ 25,980	
Transactions Recorded During the Year But Charged to Prior Biennia				
Revenue		(498)	4	
Expenditures		-	-	
Prior Period Adjustment		-	6,720	
Fund Equity Ending		\$ 25,980	\$ 30,856	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.



CAPITAL PROJECTS FUNDS

Capital Projects Funds account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by Proprietary, Special Assessment, and Trust Funds.

STATE OF OREGON
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND

(Expressed in Thousands)

	<u>ECONOMIC DEV. & CONSUMER SERV.</u>	<u>EDUCATION</u>	<u>HUMAN RESOURCES</u>
<u>ASSETS</u>			
Cash and Pooled Investments	\$ -	\$ (347)	\$ (16)
Receivables	-	15	-
Interfund Receivables	-	341	662
Contracts, Mortgages, Notes Receivable Long-Term	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 646</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Accounts Payable	\$ -	\$ 12	\$ 545
Interfund Payable	-	-	-
Deferred Income	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ 12</u>	<u>\$ 545</u>
Fund Equity			
Fund Balance - Unreserved	\$ -	\$ (3)	\$ 101
Total Fund Equity	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ 101</u>
Total Liabilities and Fund Equity	<u>\$ -</u>	<u>\$ 9</u>	<u>\$ 646</u>

NATURAL RESOURCES	PUBLIC SAFETY	TRANSPOR- TATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	JUNE 30,	
						1985	1984
\$ 37	\$ (36)	\$ 1	\$ -	\$ -	\$ -	\$ (361)	\$ 3,941
-	-	25	-	-	-	40	945
1,345	181	-	-	-	43	2,572	8
-	130	-	-	-	-	130	-
<u>\$ 1,382</u>	<u>\$ 275</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 2,381</u>	<u>\$ 4,894</u>
\$ 710	\$ -	\$ 11	\$ -	\$ -	\$ 43	\$ 1,321	\$ 1,009
672	-	-	-	-	-	672	66
-	130	-	-	-	-	130	-
<u>\$ 1,382</u>	<u>\$ 130</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 2,123</u>	<u>\$ 1,075</u>
\$ -	\$ 145	\$ 15	\$ -	\$ -	\$ -	\$ 258	\$ 3,819
\$ -	\$ 145	\$ 15	\$ -	\$ -	\$ -	\$ 258	\$ 3,819
<u>\$ 1,382</u>	<u>\$ 275</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 2,381</u>	<u>\$ 4,894</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY
CAPITAL PROJECTS FUNDS

(Expressed in Thousands)

	<u>ECONOMIC DEV. & CONSUMER SERV.</u>	<u>EDUCATION</u>	<u>HUMAN RESOURCES</u>
<u>Revenue</u>			
Nonbusiness Licenses & Fees	\$ -	\$ -	\$ -
Federal Revenues	-	47	-
Charges for Services	-	-	-
Rents and Royalties	-	-	-
Interest Income	-	-	-
Sales Income	-	-	-
Donations and Grants (Nonfederal)	-	-	-
Other Revenue	-	-	21
Total Revenue	<u>\$ -</u>	<u>\$ 47</u>	<u>\$ 21</u>
<u>Expenditures</u>			
Personal Services	\$ -	\$ -	\$ 4
Services and Supplies	-	59	-
Capital Outlay	-	315	4,230
Debt Service	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ 374</u>	<u>\$ 4,234</u>
Excess Revenue Over Expenditures	<u>\$ -</u>	<u>\$ (327)</u>	<u>\$(4,213)</u>
<u>Other Financing Sources (Uses)</u>			
Operating Transfers-in	\$ -	\$ 304	\$ 4,747
Operating Transfers-out	-	-	10
Loan Proceeds	-	-	-
Total Other Financing Sources	<u>\$ -</u>	<u>\$ 304</u>	<u>\$ 4,757</u>
Excess Revenue and Other Financing Sources Over Expenditures	<u>\$ -</u>	<u>\$ (23)</u>	<u>\$ 544</u>
Fund Equity previously reported	\$ -	\$ 5,552	\$ (443)
Cumulative effect on prior years restatement for accounting change	-	(5,532)	-
Fund Equity - Beginning (restated)	\$ -	\$ 20	\$ (443)
Prior Period Adjustment	-	-	-
Fund Equity - Ending	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ 101</u>

NATURAL RESOURCES	PUBLIC SAFETY	TRANSPOR- TATION	ADMIN. & SUPPORT SERVICES	LEGISLATIVE	JUDICIAL	FISCAL YEAR ENDED	
						JUNE 30,	
						1985	1984
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224
-	-	146	-	-	-	193	1
-	-	-	-	-	-	-	14
-	-	2	-	-	-	2	1
-	18	-	-	-	-	18	(246)
-	63	-	-	-	-	63	18
-	-	-	-	-	-	-	610
-	-	-	-	-	-	21	100
\$ -	\$ 81	\$ 148	\$ -	\$ -	\$ -	\$ 297	\$ 722
\$ 102	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 106	\$ 115
195	1	119	-	-	95	469	3,058
3,329	146	16	-	-	-	8,036	10,531
-	-	-	-	-	-	-	2
\$ 3,626	\$ 147	\$ 135	\$ -	\$ -	\$ 95	\$ 8,611	\$ 13,706
\$(3,626)	\$(66)	\$ 13	\$ -	\$ -	\$(95)	\$(8,314)	\$(12,984)
\$ 3,878	\$ 183	\$ -	\$ -	\$ 24	\$ 76	\$ 9,212	\$ 18,688
-	-	-	-	-	-	10	(8,477)
-	-	-	-	-	19	19	(26)
\$ 3,878	\$ 183	\$ -	\$ -	\$ 24	\$ 95	\$ 9,241	\$ 10,185
\$ 252	\$ 117	\$ 13	\$ -	\$ 24	\$ -	\$ 927	\$ (2,799)
\$ (71)	\$ 208	\$ 2	\$ 4,127	\$ (24)	\$ -	\$ 9,351	\$ 26,176
-	-	-	-	-	-	(5,532)	(19,558)
\$ (71)	\$ 208	\$ 2	\$ 4,127	\$ (24)	\$ -	\$ 3,819	\$ 6,618
(181)	(180)	-	(4,127)	-	-	(4,488)	-
\$ -	\$ 145	\$ 15	\$ -	\$ -	\$ -	\$ 258	\$ 3,819

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
CAPITAL PROJECTS FUNDS

	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenue</u>				
Nonbusiness Licenses and Fees	\$ 117	\$ 4	\$ (4)	\$ (117)
Federal Revenue	5,242	196	187	(4,859)
Charges for Services	-	4	2	6
Rents and Royalties	-	1	2	3
Interest Income	-	-	13	13
Sales Income	272	198	81	7
Other Revenue	151	-	29	(122)
Donations and Grants	510	471	109	70
Total Revenue	\$ 6,292	\$ 874	\$ 419	\$ (4,999)
<u>Expenditures</u>				
Personal Services	\$ -	\$ 110	\$ 473	\$ (583)
Services and Supplies	9,006	931	5,238	2,837
Capital Outlay	49,986	6,265	11,181	32,540
Total Expenditures	\$ 58,992	\$ 7,306	\$ 16,892	\$ 34,794
Excess (Deficiency) of Revenues Over Expenditures	\$(52,700)	\$ (6,432)	\$(16,473)	\$29,795
<u>Other Financing Sources (Uses)</u>				
Nonlimited Revenues	-	(3,805)	-	(3,805)
Loan Proceeds	19	-	19	-
Operating Transfers-in - Interfund	47,996	12,174	12,762	(23,060)
Operating Transfers-out - Interfund	(452)	(886)	283	(151)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ (5,137)	\$ 1,051	\$ (3,409)	\$ 2,779
Fund Equity previously reported		\$ 26,176	\$ 9,351	
Cumulative effect on prior years restatement for accounting change		(19,558)	(5,532)	
Fund Equity Beginning (restated)		\$ 6,618	\$ 3,819	
Transactions Recorded During the Year But Charged to Prior Biennia				
Revenue		2,550	100	
Expenditures		(6,400)	(72)	
GAAP Reclassification of Fund Equity			4,308	
Prior Period Adjustment		-	(4,488)	
Fund Equity Ending		\$ 3,819	\$ 258	

Prepared without audit - see letter of transmittal for comments.
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ENTERPRISE FUNDS

Enterprise Funds account for the provision of goods and services to the general public where all or most of the costs involved are paid in the form of charges by the users of such services.

Oregon Enterprise Fund activities are provided primarily by the eight state agencies described below:

Department of Commerce, Housing Division Their major activity is the sale of revenue bonds to make residential mortgage loans available to lower income residents of Oregon.

Department of Veterans' Affairs They provide farm and home loans and other services to war veterans of Oregon.

Department of Human Resources, Mental Health Division They operate four hospitals which provide care and training for the mentally ill, developmentally disabled and mentally retarded.

Lottery Commission They provide chances to the public which result in possible jackpot winnings. A portion of the proceeds provides financing of Economic Development projects.

Liquor Commission Activities include regulation, control, and sale of all alcoholic liquor and certain wines.

Department of Energy They provide small scale energy loans for development of renewable resource energy projects.

Water Resources Department They provide loans to residents of the State for construction of water development projects for irrigation, drainage and municipal use.

State Accident Insurance Corporation They provide insurance coverage and other services.

STATE OF OREGON
COMBINING BALANCE SHEET
ENTERPRISE FUNDS

(Expressed in Thousands)

ASSETS	COMMERCE HOUSING	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY
<u>Current Assets</u>				
Cash on Hand and in Banks	\$ -	\$ -	\$ 8	\$ -
Cash and Pooled Investments	26,419	137,341	5,558	16,755
Investments - State Treasury	38,064	336,951	-	-
Investments - Other	160,990	66,178	-	-
Advances Receivable	-	177	31	238
Interest Receivable	8,054	38,467	-	105
Accounts Receivable	72	1,718	10,855	5,676
Interfund Receivable	263	-	96	-
Inventories	3	112	3,107	1,395
Prepaid Expenses	-	-	1	4
Total Current Assets	<u>\$233,865</u>	<u>\$ 580,944</u>	<u>\$19,656</u>	<u>\$24,173</u>
<u>Fixed Assets</u>				
Land, Buildings and Improvements	\$ -	\$ 7,158	\$41,246	\$ -
Leasehold Improvements (Net)	-	3	-	104
Capital Leases (Net)	-	501	-	-
Construction in Process	-	-	1,099	-
Equipment and Machinery	92	1,752	8,532	1,058
Less Allowance for Depreciation	(33)	(1,003)	(29,701)	(69)
Total Fixed Assets	<u>\$ 59</u>	<u>\$ 8,411</u>	<u>\$21,176</u>	<u>\$ 1,093</u>
<u>Other Assets</u>				
Contracts, Mortgages, and Mortgages Receivable	\$423,190	\$4,897,282	\$ 2	\$ -
Discount/Underwriters Cost on Bonds Sold	10,703	9,765	-	-
Total Other Assets	<u>\$433,893</u>	<u>\$4,907,047</u>	<u>\$ 2</u>	<u>\$ -</u>
Total Assets	<u>\$667,817</u>	<u>\$5,496,402</u>	<u>\$40,834</u>	<u>\$25,266</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$ 186	\$ 5,397	\$12,646	\$ 7,600
Interest Payable	24,515	117,885	-	-
Interfunds Payable	263	-	263	15,295
Trust Funds Payable	588	836	2	12
Vacation Payable - Current	31	474	634	-
Bonds Payable - Current	-	227,000	-	-
Notes Payable	-	330,000	-	-
Deferred Income	-	-	-	1,373
Total Current Liabilities	<u>\$ 25,583</u>	<u>\$ 681,592</u>	<u>\$13,545</u>	<u>\$24,280</u>
<u>Long-Term Liabilities</u>				
Contract, Mortgages, and Notes Payable	\$ -	\$ -	\$ 142	\$ 856
Vacation Payable - Long-Term	10	-	1,917	65
General Obligation Bonds Payable	98,415	4,760,800	-	-
Revenue Bonds Payable	499,274	-	-	-
Premium on Bonds Sold	13	16,976	-	-
Obligations - Capital Lease	-	527	-	-
Trust Funds Payable	-	-	-	-
Total Long-Term Liabilities	<u>\$597,712</u>	<u>\$4,778,303</u>	<u>\$ 2,059</u>	<u>\$ 921</u>
Total Liabilities	<u>\$623,295</u>	<u>\$5,459,895</u>	<u>\$15,604</u>	<u>\$25,201</u>
<u>Fund Equity</u>				
Retained Earnings - Unreserved	\$ 44,522	\$ 36,507	\$25,230	\$ 65
Total Fund Equity	<u>\$ 44,522</u>	<u>\$ 36,507</u>	<u>\$25,230</u>	<u>\$ 65</u>
Total Liabilities and Fund Equity	<u>\$667,817</u>	<u>\$5,496,402</u>	<u>\$40,834</u>	<u>\$25,266</u>

LIQUOR COMMISSION	ENERGY	WATER RESOURCES	STATE ACC. INSURANCE	OTHER ENTERPRISE	JUNE 30,	
					1985	1984
\$ 11 17,332	\$ - 4,676	\$ - 6,600	\$ - 11,595	\$ 2 5,391	\$ 21 231,667	\$ 8,668 145,726
-	17,854	-	788,455	-	1,181,324	1,190,267
-	-	735	3,900	-	231,803	146,708
13	-	-	-	2	461	205
-	1,055	201	14,832	-	62,714	64,353
118	-	88	101,476	445	120,448	114,268
-	-	-	-	54	413	15,389
15,155	-	-	-	3,578	23,350	21,477
36	-	-	-	-	41	374
<u>\$32,665</u>	<u>\$23,585</u>	<u>\$ 7,624</u>	<u>\$920,258</u>	<u>\$ 9,472</u>	<u>\$1,852,242</u>	<u>\$1,707,435</u>
\$ 2,272	\$ -	\$ -	\$ 8,603	\$ 9,918	\$ 69,197	\$ 66,541
-	-	-	-	-	107	117
-	-	-	-	-	501	-
-	-	-	-	19	1,118	8,279
2,367	32	18	8,511	1,595	23,957	16,537
(2,029)	(3)	(9)	(5,363)	(4,686)	(42,896)	(43,376)
<u>\$ 2,610</u>	<u>\$ 29</u>	<u>\$ 9</u>	<u>\$ 11,751</u>	<u>\$ 6,846</u>	<u>\$ 51,984</u>	<u>\$ 48,098</u>
\$ -	\$66,554	\$18,427	\$ -	\$ 6,713	\$5,412,168	\$5,467,376
-	1,299	-	-	-	21,767	18,490
<u>\$ -</u>	<u>\$67,853</u>	<u>\$18,427</u>	<u>\$ -</u>	<u>\$ 6,713</u>	<u>\$5,433,935</u>	<u>\$5,485,866</u>
<u>\$35,275</u>	<u>\$91,467</u>	<u>\$26,060</u>	<u>\$932,009</u>	<u>\$23,031</u>	<u>\$7,338,161</u>	<u>\$7,241,399</u>
\$10,146	\$14,440	\$ 38	\$ 22,443	\$ 359	\$ 73,255	\$ 34,738
6,965	-	329	-	-	142,729	137,960
-	-	-	-	-	22,786	23,831
-	-	-	-	10	1,448	13,839
121	3	3	266	38	1,570	1,570
-	-	-	-	-	227,000	210,500
-	-	-	-	-	330,000	267,000
470	-	159	-	256	2,258	1,128
<u>\$17,702</u>	<u>\$14,443</u>	<u>\$ 529</u>	<u>\$ 22,709</u>	<u>\$ 663</u>	<u>\$ 801,046</u>	<u>\$ 690,566</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,416	\$ 4,414	\$ 8,739
209	12	11	797	44	3,065	3,000
-	76,890	25,000	-	-	4,961,105	5,025,295
-	-	-	-	-	499,274	454,874
-	-	-	-	-	16,989	18,887
-	-	-	-	-	527	-
-	-	-	791,609	-	791,609	726,085
<u>\$ 209</u>	<u>\$76,902</u>	<u>\$25,011</u>	<u>\$792,406</u>	<u>\$ 3,460</u>	<u>\$6,276,983</u>	<u>\$6,236,880</u>
<u>\$17,911</u>	<u>\$91,345</u>	<u>\$25,540</u>	<u>\$815,115</u>	<u>\$ 4,123</u>	<u>\$7,078,029</u>	<u>\$6,927,446</u>
<u>\$17,364</u>	<u>\$ 122</u>	<u>\$ 520</u>	<u>\$116,894</u>	<u>\$18,908</u>	<u>\$ 260,132</u>	<u>\$ 313,953</u>
<u>\$17,364</u>	<u>\$ 122</u>	<u>\$ 520</u>	<u>\$116,894</u>	<u>\$18,908</u>	<u>\$ 260,132</u>	<u>\$ 313,953</u>
<u>\$35,275</u>	<u>\$91,467</u>	<u>\$26,060</u>	<u>\$932,009</u>	<u>\$23,031</u>	<u>\$7,338,161</u>	<u>\$7,241,399</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
ENTERPRISE FUNDS

(Expressed in Thousands)

	COMMERCE HOUSING	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY
<u>Sales Income</u>	\$ -	\$ -	\$ 163	\$44,169
<u>Cost of Goods Sold</u>	-	-	-	-
<u>Gross Profit on Sales</u>	\$ -	\$ -	\$ 163	\$44,169
<u>Other Income</u>				
Selective Sales Tax	-	-	-	-
Business Licenses and Fees	112	428	-	50
Nonbusiness Licenses and Fees	109	-	-	-
Federal Revenue	440	-	-	-
Charges for Services	820	3,086	110,494	-
Fines and Forfeitures	-	-	-	-
Rents and Royalties	31	151	139	-
Interest Income	55,237	397,009	177	203
Donations and Grants (Nonfederal)	-	-	109	-
Other Revenue	309	195	140	-
Loss on Foreclosed Property (Net)	-	(27,674)	-	-
Gain on Defeasance	-	-	-	-
Allowance for Returns	-	-	-	(1,933)
Fees Waived	-	-	(48,418)	-
<u>Total Income</u>	<u>\$57,058</u>	<u>\$373,195</u>	<u>\$ 62,804</u>	<u>\$42,489</u>
<u>Operating Expenses</u>				
Salaries and Wages	\$ 911	\$ 13,155	\$ 70,775	\$ 1,120
Services and Supplies	2,253	14,251	11,527	5,219
Special Payments	633	421	-	21,522
Interest Expense	47,143	382,971	-	78
Depreciation and Amortization	7	486	1,621	71
<u>Total Expenses</u>	<u>\$50,947</u>	<u>\$411,284</u>	<u>\$ 83,923</u>	<u>\$28,010</u>
<u>Net Operating Income (Loss)</u>	<u>\$ 6,111</u>	<u>\$(38,089)</u>	<u>\$(21,119)</u>	<u>\$14,479</u>
<u>Operating Transfers-in</u>	-	26	19,147	-
<u>Operating Transfers-out</u>	-	-	-	(14,414)
<u>Net Income (Loss)</u>	<u>\$ 6,111</u>	<u>\$(38,063)</u>	<u>\$ (1,972)</u>	<u>\$ 65</u>
<u>Fund Equity previously reported</u>	<u>\$38,452</u>	<u>\$ 75,044</u>	<u>\$ 35,597</u>	<u>\$ -</u>
Cumulative effect on prior years restatement for accounting change:				
Higher Education	-	-	-	-
Compensated Absences	(41)	(474)	(2,551)	-
<u>Fund Equity - Beginning (restated)</u>	<u>\$38,411</u>	<u>\$ 74,570</u>	<u>\$ 33,046</u>	<u>\$ -</u>
<u>Prior Period Adjustment</u>	-	-	(5,844)	-
<u>Fund Equity - Ending</u>	<u>\$44,522</u>	<u>\$ 36,507</u>	<u>\$ 25,230</u>	<u>\$ 65</u>

LIQUOR COMM. FUND	ENERGY	WATER RESOURCES	STATE ACC. INSURANCE	OTHER ENTERPRISE	HIGHER EDUCATION	FISCAL YEAR ENDED JUNE 30,	
						1985	1984
\$138,818	\$ -	\$ 3	\$ -	\$ 3,865	\$ -	\$187,018	\$116,455
(71,375)	-	(4)	-	(99)	-	(71,478)	(75,289)
\$ 67,443	\$ -	\$ (1)	\$ -	\$ 3,766	\$ -	\$115,540	\$ 41,166
10,899	-	-	-	-	-	10,899	10,595
1,822	-	5	-	-	-	2,417	2,267
-	-	6	-	-	-	115	-
-	-	-	-	1,000	-	1,440	447
20	43	162	116,364	1,816	-	232,805	250,760
62	-	-	-	-	-	62	110
-	-	-	-	920	-	1,241	1,223
-	8,202	2,149	90,592	762	-	554,331	503,671
4	-	-	-	22	-	135	1
17	-	-	3,548	386	-	4,595	(5,208)
-	-	-	-	-	-	(27,674)	(18,661)
-	-	-	-	-	-	-	559
-	-	-	-	-	-	(1,933)	-
-	-	-	-	-	-	(48,418)	(32,335)
\$ 80,267	\$8,245	\$2,321	\$210,504	\$ 8,672	\$ -	\$845,555	\$754,595
\$ 6,530	\$ 340	\$ 187	\$ 23,112	\$ 2,969	\$ -	\$119,099	\$112,792
11,524	214	131	19,076	2,899	-	67,094	58,129
15,817	-	-	197,302	-	-	235,695	194,913
-	7,838	1,917	-	-	-	439,947	431,367
208	2	2	968	324	-	3,689	2,598
\$ 34,079	\$8,394	\$2,237	\$240,458	\$ 6,192	\$ -	\$865,524	\$799,799
\$ 46,188	\$ (149)	\$ 84	\$ (29,954)	\$ 2,480	\$ -	\$ (19,969)	\$ (45,204)
2	3	-	430	723	-	20,331	159,617
(46,555)	-	(33)	-	(702)	-	(61,704)	(146,942)
\$ (365)	\$ (146)	\$ 51	\$ (29,524)	\$ 2,501	\$ -	\$ (61,342)	\$ (32,529)
\$ 18,059	\$ 283	\$ 483	\$134,116	\$16,489	\$146,140	\$464,663	\$107,533
-	-	-	-	-	(146,140)	(146,140)	79,499
(330)	(15)	(14)	(1,063)	(82)	-	(4,570)	(4,570)
\$ 17,729	\$ 268	\$ 469	\$133,053	\$16,407	\$ -	\$313,953	\$182,462
-	-	-	13,365	-	-	7,521	164,020
\$ 17,364	\$ 122	\$ 520	\$116,894	\$18,908	\$ -	\$260,132	\$313,953

Prepared without audit - see letter of transmittal for comments.
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STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
ENTERPRISE FUNDS

(Expressed in Thousands)

	COMMERCE HOUSING*	VETERANS' AFFAIRS	STATE HOSPITALS	STATE LOTTERY
<u>Sources of Working Capital</u>				
Operations:				
Net Income (Loss)	\$ 6,111	\$(38,063)	\$(1,972)	\$ 65
Items Not Requiring (Providing)				
Working Capital				
Depreciation	7	486	1,621	71
Amortized Bond Discounts/Costs/Premiums	639	(1,188)	-	-
Accreted Interest	970	-	-	-
Total Provided by Operations	\$ 7,727	\$(38,765)	\$ (351)	\$ 136
Correction of Investment Values	-	-	-	-
Payables Reclassified to Long-Term	-	-	-	-
Sale of Equipment	-	58	275	-
Transfer of Equipment	-	-	3,939	-
Sale of Bonds	74,454	131,000	-	-
Loan Repayments	15,070	341,775	-	-
Other Miscellaneous	-	567	-	865
Loan Reductions - Foreclosures	84	135,083	-	-
Increase in Loss Reserves	-	-	-	-
Total Provided	\$97,335	\$569,718	\$ 3,863	\$ 1,001
<u>Uses of Working Capital</u>				
Bonds Reclassified as Current Liabilities	\$ -	\$ 16,500	\$ -	\$ -
Retirement of Bonds	20,895	210,500	-	-
Loans Made	20,127	389,034	-	-
Construction of Buildings	-	-	4,314	-
Purchase of Property and Equipment	24	952	617	1,164
Payment on Other Long-Term Debt	4,785	159	85	9
Other Miscellaneous	536	122	5,844	(65)
Premium and Discounts on Bonds	-	2,418	-	-
Decrease in Unearned Premium Reserve	-	-	-	-
Total Applied	\$46,367	\$619,685	\$10,860	\$ 1,108
Net Increase (Decrease) in Working Capital	\$50,968	\$(49,967)	\$(6,997)	\$ (107)
<u>Elements of Net Increase (Decrease) in Working Capital</u>				
Cash	\$(2,153)	\$ 56,409	\$(5,070)	\$16,755
Investments	53,701	(21,924)	-	-
Receivables	1,964	(3,969)	286	6,019
Inventories	(1)	36	1,461	1,395
Prepaid Expenses	-	-	-	4
Payables	(2,275)	(80,627)	(3,673)	(22,895)
Trust Funds Payable	(268)	108	(1)	(12)
Deferred Income	-	-	-	(1,373)
Net Increase (Decrease) in Working Capital	\$50,968	\$(49,967)	\$(6,997)	\$ (107)

LIQUOR COMMISSION	ENERGY	WATER RESOURCES	STATE ACC. INSURANCE	OTHER ENTERPRISE	FISCAL YEAR ENDED	
					1985	JUNE 30, 1984
\$ (365)	\$ (146)	\$ 51	\$(29,524)	\$2,501	\$(61,342)	\$ (32,529)
208	2	2	968	324	3,689	2,598
-	101	-	-	-	(448)	-
-	-	-	-	-	970	-
\$ (157)	\$ (43)	\$ 53	\$(28,556)	\$2,825	\$(57,131)	\$ (29,931)
-	-	-	5,991	-	5,991	-
-	-	-	7,601	-	7,601	-
48	-	-	-	-	381	131
-	-	-	-	-	3,939	-
-	19,050	2,865	-	-	227,369	37,173
-	466	994	-	497	358,802	337,427
-	-	-	116	15	1,563	1,132
-	-	-	-	-	135,167	89,516
-	-	-	71,180	-	71,180	61,032
\$ (109)	\$19,473	\$3,912	\$ 56,332	\$3,337	\$754,862	\$ 496,480
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,500	\$ 210,500
-	365	750	-	-	232,510	252,316
-	25,788	2,617	-	1,624	439,190	429,270
735	17	-	5,878	241	4,314	27,953
-	-	-	-	206	9,628	1,225
-	-	-	-	-	5,244	81
-	336	-	-	-	6,437	1,121
-	-	-	3,958	-	2,754	1,897
-	-	-	-	-	3,958	15,733
\$ 735	\$26,506	\$3,367	\$ 9,836	\$2,071	\$720,535	\$ 940,096
\$ (844)	\$ (7,033)	\$ 545	\$ 46,496	\$1,266	\$ 34,327	\$ (443,616)
\$1,003	\$ 2,774	\$ 311	\$ 5,936	\$1,329	\$ 77,294	\$ (34,866)
-	(2,811)	80	47,103	-	76,149	(65,891)
30	135	147	(14,489)	(300)	(10,177)	38,495
(1,164)	-	-	(372)	146	1,873	2,566
35	-	-	(4,208)	-	(333)	(8,132)
(740)	(7,337)	(58)	12,526	111	(121,702)	(421,153)
-	-	-	-	-	12,353	45,214
(8)	206	65	-	(20)	(1,130)	151
\$ (844)	\$ (7,033)	\$ 545	\$ 46,496	\$1,266	\$ 34,327	\$ (443,616)

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ENTERPRISE FUND

(Expressed in Thousands)

	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenue</u>				
Selective Sales and Use Taxes	\$ 25,743	\$ 10,595	\$ 10,898	\$ (4,250)
Business Licenses and Fees	1,280	1,831	1,910	2,461
Nonbusiness Licenses and Fees	1,320	-	9	(1,311)
Charge for Services	121,290	57,739	62,692	(859)
Fines and Forfeitures	-	85	62	147
Rents and Royalties	2,078	1,125	1,063	110
Interest Income	4,866	(21)	13,400	8,513
Sales Income (Net)	153,698	32,998	69,230	(51,470)
Other Revenue	305	(1,798)	362	(1,741)
Total Revenue	<u>\$310,580</u>	<u>\$ 102,554</u>	<u>\$ 159,626</u>	<u>\$ (48,400)</u>
<u>Expenditures</u>				
Personal Services	\$185,263	\$ 90,628	\$ 93,748	\$ 887
Services and Supplies	70,336	30,777	32,986	6,573
Capital Outlay	2,986	1,274	1,874	(162)
Special Payments	5,465	1,765	422	3,278
Debt Service	6,500	9,604	2,665	(5,769)
Total Expenditures	<u>\$270,550</u>	<u>\$ 134,048</u>	<u>\$ 131,695</u>	<u>\$ 4,807</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 40,030</u>	<u>\$ (31,494)</u>	<u>\$ 27,931</u>	<u>\$ (43,593)</u>
<u>Other Financing Sources (Uses)</u>				
Nonlimited Expenditures	-	(1,418,791)	(1,584,788)	(3,003,579)
Nonlimited Revenue	-	1,368,875	1,578,951	2,947,826
Operating Transfers-in	54,499	34,255	19,267	(977)
Operating Transfers-out	(101,222)	(76,473)	(56,499)	(31,750)
Transfers to Counties and Cities	(35,170)	(16,324)	(15,816)	3,030
Loan Repayments	10,000	1,345	1,460	(7,195)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>\$(31,863)</u>	<u>\$ (138,607)</u>	<u>\$ (29,494)</u>	<u>\$ (136,238)</u>
Fund Equity previously reported		\$ 107,533	\$ 464,663	
Cumulative effect on prior years restatement for accounting change:				
Higher Education		79,499	(146,140)	
Compensated Absences		(4,570)	(4,570)	
Fund Equity Beginning (Restated)		\$ 182,462	\$ 313,953	
Transactions Recorded During the Year But Charged to Prior Biennia				
Revenue		12,457	15,007	
Expenditures		(3,036)	(122)	
Increase (Decrease) in Reserves Other		99,255	(43,492)	
Depreciation and Amortization		(2,598)	(3,241)	
Prior Period Adjustments		164,020	7,521	
Fund Equity Ending		<u>\$ 313,953</u>	<u>\$ 260,132</u>	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.



INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods and services provided by an agency on a cost-reimbursement basis to any other governmental unit, whether state, federal, or local.

The Oregon activities reported in Internal Service Funds vary widely both as to type and complexity of operations. Most of the centralized services are provided by four agencies. These agencies and the services they provide or goods they sell are described below. Their operations as well as other major service operations of the State are reflected in the financial statements that follow:

Executive Department Services include accounting, collective bargaining, personnel, and data processing.

Department of General Services Services include purchasing, printing, mail, motor pool, leasing and insurance.

Department of Justice Services include legal and research.

Penitentiary Industries Manufacture and sale of furniture, machinery, and equipment.

STATE OF OREGON
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS

(Expressed in Thousands)

<u>ASSETS</u>	<u>EXECUTIVE DEPARTMENT SERVICES</u>	<u>DEPARTMENT OF GENERAL SERVICES</u>
<u>Current Assets</u>		
Cash on Hand and in Banks	\$ -	\$ -
Cash and Pooled Investments	1,858	17,493
Investments - State Treasury	-	20,341
Advances Receivable	1,298	-
Interest Receivable	-	547
Accounts Receivable	1,985	6,132
Interfund Receivable	-	-
Inventories	153	1,242
Prepaid Expenses	6	-
Total Current Assets	<u>\$ 5,300</u>	<u>\$ 45,755</u>
<u>Fixed Assets</u>		
Land, Buildings, and Improvements	\$ -	\$ 62,345
Leasehold Improvements	601	28
Capital Leases	-	1,183
Software (Net)	-	154
Construction in Process	-	4,195
Equipment and Machinery	9,448	16,289
Less: Allowance for Depreciation	<u>(4,779)</u>	<u>(27,350)</u>
Total Fixed Assets	<u>\$ 5,270</u>	<u>\$ 56,844</u>
Total Assets	<u>\$10,570</u>	<u>\$102,599</u>
<u>LIABILITIES AND FUND EQUITY</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 1,156	\$ 4,636
Interfund Payable	-	298
Trust Funds Payable	20	19
Vacation Payable - Short-Term	62	159
Deferred Income	-	-
Total Current Liabilities	<u>\$ 1,238</u>	<u>\$ 5,112</u>
<u>Long-Term Liabilities</u>		
Lease Purchase Contract Payable	\$ 2,616	\$ -
Advances from General Fund	-	-
Obligations Under Capital Lease	-	1,662
Contracts, Mortgages, and Notes Payable	-	19,781
Vacation Payable - Long-Term	<u>250</u>	<u>334</u>
Total Long-Term Liabilities	<u>\$ 2,866</u>	<u>\$ 21,777</u>
Total Liabilities	<u>\$ 4,104</u>	<u>\$ 26,889</u>
<u>Fund Equity</u>		
Contributed Capital	\$ -	\$ 36,126
Retained Earnings - Unreserved	<u>6,466</u>	<u>39,584</u>
Total Fund Equity	<u>\$ 6,466</u>	<u>\$ 75,710</u>
Total Liabilities and Fund Equity	<u>\$10,570</u>	<u>\$102,599</u>

JUSTICE DEPARTMENT SERVICES	PEN. INDUSTRIES SALES	OTHER DATA PROC. SERVICES	OTHER MOTOR POOLS	MISC. INTERNAL SERVICES	JUNE 30,	
					1985	1984
\$ - 2,630	\$ - 150	\$ - 2,249	\$ - -	\$ - 3,868	\$ - 28,248	\$ 85 22,351
-	-	-	-	-	20,341	25,511
16	-	-	-	-	1,314	761
1,721	792	1,268	18	727	547	727
20	-	-	-	1	12,643	11,870
					21	197
175	612	116	6,147	321	8,766	8,183
-	-	-	-	20	26	353
<u>\$4,562</u>	<u>\$1,554</u>	<u>\$ 3,633</u>	<u>\$ 6,165</u>	<u>\$ 4,937</u>	<u>\$ 71,906</u>	<u>\$ 70,038</u>
\$ -	\$1,354	\$ -	\$ 3,877	\$ -	\$ 67,576	\$ 65,562
-	-	-	-	-	629	709
-	-	-	-	-	1,183	1,690
-	5	-	-	-	159	-
1,848	1,114	15,040	55,308	10,961	4,195	3,050
(1,562)	(1,334)	(7,357)	(33,088)	(5,219)	110,008	97,507
					(80,689)	(71,973)
<u>\$ 286</u>	<u>\$1,139</u>	<u>\$ 7,683</u>	<u>\$26,097</u>	<u>\$ 5,742</u>	<u>\$103,061</u>	<u>\$ 96,545</u>
<u>\$4,848</u>	<u>\$2,693</u>	<u>\$11,316</u>	<u>\$32,262</u>	<u>\$10,679</u>	<u>\$174,967</u>	<u>\$166,583</u>
\$1,600	\$ 534	\$ 961	\$ 2,276	\$ 863	\$ 12,026	\$ 8,971
-	11	350	6,484	-	7,143	8,083
214	15	78	85	83	39	79
-	286	-	-	-	696	696
					286	3
<u>\$1,814</u>	<u>\$ 846</u>	<u>\$ 1,389</u>	<u>\$ 8,845</u>	<u>\$ 946</u>	<u>\$ 20,190</u>	<u>\$ 17,832</u>
\$ 11	\$ -	\$ 1,546	\$ -	\$ 220	\$ 4,393	\$ 6,182
-	1,454	-	-	-	1,454	790
-	-	-	-	-	1,662	1,877
-	-	-	-	-	19,781	22,512
359	47	226	306	122	1,644	1,644
<u>\$ 370</u>	<u>\$1,501</u>	<u>\$ 1,772</u>	<u>\$ 306</u>	<u>\$ 342</u>	<u>\$ 28,934</u>	<u>\$ 33,005</u>
<u>\$2,184</u>	<u>\$2,347</u>	<u>\$ 3,161</u>	<u>\$ 9,151</u>	<u>\$ 1,288</u>	<u>\$ 49,124</u>	<u>\$ 50,837</u>
\$ -	\$ -	\$ -	\$21,621	\$ -	\$ 57,747	\$ 58,773
2,664	346	8,155	1,490	9,391	68,096	56,973
<u>\$2,664</u>	<u>\$ 346</u>	<u>\$ 8,155</u>	<u>\$23,111</u>	<u>\$ 9,391</u>	<u>\$125,843</u>	<u>\$115,746</u>
<u>\$4,848</u>	<u>\$2,693</u>	<u>\$11,316</u>	<u>\$32,262</u>	<u>\$10,679</u>	<u>\$174,967</u>	<u>\$166,583</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND EQUITY
INTERNAL SERVICE FUNDS

(Expressed in Thousands)

	EXECUTIVE DEPARTMENT SERVICES	DEPARTMENT OF GENERAL SERVICES	JUSTICE DEPARTMENT SERVICES
<u>Sales Income</u>	\$ -	\$19,480	\$ -
<u>Cost of Goods Sold</u>	-	(11,991)	-
<u>Gross Profit on Sales</u>	\$ -	\$ 7,489	\$ -
<u>Other Income</u>			
Licenses and Fees	-	33	-
Charges for Services	12,070	21,459	18,026
Rents and Royalties	593	11,206	-
Interest Income	-	3,307	-
Donations and Grants (Nonfederal)	-	-	-
Other Revenue	10	2,532	13
Gain (Loss) on Sale of Equipment	199	-	(30)
<u>Total Income</u>	<u>\$12,872</u>	<u>\$46,026</u>	<u>\$18,009</u>
<u>Operating Expenses</u>			
Salaries and Wages	\$ 6,044	\$ 9,941	\$13,943
Services and Supplies	4,853	28,374	3,341
Interest Expense	-	689	-
Depreciation and Amortization	1,087	3,554	240
<u>Total Operating Expenses</u>	<u>\$11,984</u>	<u>\$42,558</u>	<u>\$17,524</u>
<u>Net Income (Loss) From Operations</u>	<u>\$ 888</u>	<u>\$ 3,468</u>	<u>\$ 485</u>
<u>Operating Transfers-in</u>	-	61	77
<u>Operating Transfers-out</u>	(128)	(100)	-
<u>Net Income (Loss)</u>	<u>\$ 760</u>	<u>\$ 3,429</u>	<u>\$ 562</u>
<u>Fund Equity previously reported</u>	<u>\$ 6,018</u>	<u>\$71,797</u>	<u>\$ 2,675</u>
Cumulative effect on prior years restatement of change:			
Higher Education	-	-	-
Compensated Absences	(312)	(493)	(573)
<u>Fund Equity - Beginning (restated)</u>	<u>\$ 5,706</u>	<u>\$71,304</u>	<u>\$ 2,102</u>
<u>Prior Period Adjustments</u>	-	977	-
<u>Fund Equity - Ending</u>	<u>\$ 6,466</u>	<u>\$75,710</u>	<u>\$ 2,664</u>

PEN. INDUSTRIES SALES	OTHER DATA PROC. SERVICES	OTHER MOTOR POOLS	MISC. INTERNAL SERVICES	HIGHER EDUCATION	FISCAL YEAR ENDED JUNE 30,	
					1985	1984
\$2,493	\$ -	\$ -	\$ -	\$ -	\$ 21,973	\$ 20,045
(877)	-	-	-	-	(12,868)	(15,301)
\$1,616	\$ -	\$ -	\$ -	\$ -	\$ 9,105	\$ 4,744
-	-	-	(22)	-	11	254
-	9,089	49,288	8,910	-	118,842	114,543
-	-	-	-	-	11,799	12,371
-	-	-	62	-	3,369	3,531
59	4	8	15	-	15	(8)
-	(12)	50	928	-	3,554	3,313
-	-	-	113	-	320	(725)
\$1,675	\$9,081	\$49,346	\$10,006	\$ -	\$147,015	\$138,023
\$1,319	\$4,387	\$ 7,242	\$ 5,824	\$ -	\$ 48,700	\$ 48,366
578	3,718	36,563	2,504	-	79,931	70,208
147	-	-	-	-	836	432
107	1,355	4,113	1,136	-	11,592	10,444
\$2,151	\$9,460	\$47,918	\$ 9,464	\$ -	\$141,059	\$129,450
\$ (476)	\$ (379)	\$ 1,428	\$ 542	\$ -	\$ 5,956	\$ 8,573
-	966	-	266	-	1,370	87
(69)	-	-	(34)	-	(331)	(2,115)
\$ (545)	\$ 587	\$ 1,428	\$ 774	\$ -	\$ 6,995	\$ 6,545
\$ 953	\$7,523	\$20,298	\$ 8,822	\$25,282	\$143,368	\$113,546
-	-	-	-	(25,282)	(25,282)	(2,317)
(62)	(304)	(391)	(205)	-	(2,340)	(2,340)
\$ 891	\$7,219	\$19,907	\$ 8,617	\$ -	\$115,746	\$108,889
-	349	1,776	-	-	3,102	312
\$ 346	\$8,155	\$23,111	\$ 9,391	\$ -	\$125,843	\$115,746

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
INTERNAL SERVICE FUNDS

(Expressed in Thousands)

	<u>EXECUTIVE DEPARTMENT SERVICES</u>	<u>DEPARTMENT OF GENERAL SERVICES</u>
<u>Sources of Working Capital</u>		
Operations:		
Net Income (Loss)	\$ 760	\$ 3,429
Items Not Requiring (Providing) Working Capital		
Depreciation/Amortization	<u>1,087</u>	<u>3,554</u>
Total Provided by Operations	\$1,847	\$ 6,983
Disposal of Property and Equipment	-	-
Loans Received	241	-
Contributed From Another Fund	<u>-</u>	<u>4,127</u>
Total Provided	<u>\$2,088</u>	<u>\$11,110</u>
<u>Uses of Working Capital</u>		
Purchase of Property and Equipment	\$ 929	\$ 7,268
Payment on Loans and Contracts	1,248	5,509
Property Acquired From Another Fund	<u>-</u>	<u>-</u>
Total Applied	<u>\$2,177</u>	<u>\$12,777</u>
<u>Net Increase (Decrease) in Working Capital</u>	<u>\$ (89)</u>	<u>\$(1,667)</u>
<u>Elements of Net Increase (Decrease) in Working Capital:</u>		
Cash	\$ (982)	\$ 5,600
Investments	-	(5,170)
Receivables	889	(165)
Inventories	62	(29)
Prepaid Expenses	1	(329)
Payables	(59)	(1,574)
Deferred Income	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Working Capital	<u>\$ (89)</u>	<u>\$(1,667)</u>

JUSTICE DEPARTMENT SERVICES	PEN. INDUSTRIES SALES	OTHER DATA PROC. SERVICES	OTHER MOTOR POOLS	MISC. INTERNAL SERVICES	FISCAL YEAR ENDED JUNE 30,	
					1985	1984
\$ 562	\$ (545)	\$ 587	\$ 1,428	\$ 774	\$ 6,995	\$ 6,545
<u>240</u>	<u>107</u>	<u>1,355</u>	<u>4,113</u>	<u>1,136</u>	<u>11,592</u>	<u>10,444</u>
\$ 802	\$ (438)	\$1,942	\$ 5,541	\$1,910	\$18,587	\$16,989
-	69	-	53	184	306	1,324
-	664	-	-	-	905	3,854
-	-	-	-	-	<u>4,127</u>	<u>1,704</u>
<u>\$ 802</u>	<u>\$ 295</u>	<u>\$1,942</u>	<u>\$ 5,594</u>	<u>\$2,094</u>	<u>\$23,925</u>	<u>\$23,871</u>
\$ 177	\$ 16	\$1,665	\$ 5,186	\$1,635	\$16,876	\$ 9,768
3	3	685	-	91	7,539	4,860
-	-	-	-	-	-	<u>6,371</u>
<u>\$ 180</u>	<u>\$ 19</u>	<u>\$2,350</u>	<u>\$ 5,186</u>	<u>\$1,726</u>	<u>\$24,415</u>	<u>\$20,999</u>
<u>\$ 622</u>	<u>\$ 276</u>	<u>\$ (408)</u>	<u>\$ 408</u>	<u>\$ 368</u>	<u>\$ (490)</u>	<u>\$ 2,872</u>
\$ 348	\$ (4)	\$ 267	\$ -	\$ 583	\$ 5,812	\$ 753
-	-	-	-	-	(5,170)	(339)
167	465	(410)	(6)	31	971	2,826
175	(128)	(1)	549	(46)	582	(702)
-	-	-	-	-	(328)	309
(68)	226	(264)	(135)	(200)	(2,074)	(36)
-	(283)	-	-	-	<u>(283)</u>	<u>61</u>
<u>\$ 622</u>	<u>\$ 276</u>	<u>\$ (408)</u>	<u>\$ 408</u>	<u>\$ 368</u>	<u>\$ (490)</u>	<u>\$ 2,872</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
INTERNAL SERVICE FUND

(Expressed in Thousands)

	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
<u>Revenue</u>				
Business Licenses and Fees	\$ 70	\$ 79	\$ (21)	\$ (12)
Nonbusiness Licenses and Fees	26	29	34	37
Charge for Services	239,729	106,836	112,008	(20,885)
Fines and Forfeitures	12	10	15	13
Rents and Royalties	23,294	12,418	11,803	927
Interest Income	92	7	-	(85)
Sales Income (Net)	44,056	20,839	22,460	(757)
Donations and Grants (Nonfederal)	10	2	15	7
Other Revenue	402	122	119	(161)
Total Revenue	<u>\$307,691</u>	<u>\$140,342</u>	<u>\$146,433</u>	<u>\$ (20,916)</u>
<u>Expenditures</u>				
Personal Services	\$102,482	\$ 47,910	\$ 49,248	\$ 5,324
Services and Supplies	144,760	57,507	63,333	23,920
Capital Outlay	12,309	7,239	15,121	(10,051)
Debt Service	-	9	155	(164)
Total Expenditures	<u>\$259,551</u>	<u>\$112,665</u>	<u>\$127,657</u>	<u>\$ 19,029</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 48,140	\$ 27,677	\$ 18,576	\$ (1,887)
<u>Other Financing Sources (Uses)</u>				
Nonlimited Expenditures	-	(30,936)	(36,215)	(67,151)
Nonlimited Revenues	-	59,181	33,718	92,899
Operating Transfers-in	20,321	8,826	4,648	(6,847)
Operating Transfers-out	(21,887)	(59,164)	(29,728)	(67,005)
Loan Repayments	80	703	-	623
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	<u>\$ 46,654</u>	<u>\$ 6,287</u>	<u>\$ (9,001)</u>	<u>\$ (49,368)</u>
Fund Equity previously reported		\$113,546	\$143,368	
Cumulative effect on prior years restatement for accounting change:				
Higher Education		(2,317)	(25,282)	
Compensated Absence		(2,340)	(2,340)	
Fund Equity Beginning (restated)		\$108,889	\$115,746	
Transactions Recorded During the Year But Charged to Prior Biennia				
Revenue		4,223	6,013	
Expenditures		3,021	-	
Increase (Decrease) in Reserves				
Other		3,458	21,575	
Depreciation and Amortization		(10,444)	(11,592)	
Prior Period Adjustments		312	3,102	
Fund Equity Ending		<u>\$115,746</u>	<u>\$125,843</u>	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.



TRUST AND AGENCY FUNDS

Trust and Agency Funds account for resources received and held by a governmental unit as trustee or agent for individuals, private organizations, and other governmental units to be expended or invested in accordance with the conditions of the trust or agency agreement.

Fiduciary Fund financial information is shown as follows:

Pension Trust Funds

Public Employee's Retirement System - includes retirement moneys of the State of Oregon and other municipalities electing to participate in that system.

Nonexpendable Trust Funds

State Lands Trust - represents the state owned land and other assets held and operated for the benefit of public schools. Lands include approximately 800,000 acres of off-shore lands, 600,000 acres of grazing lands and 132,000 acres of timber producing lands.

Expendable Trust Funds

Employment Trusts represent funds held by the Employment Division for future payment of unemployment benefits.

Agency Funds - Includes moneys held by state agencies for redistribution to other municipalities. This includes funds held and invested for local governments by the State Treasurer.

STATE OF OREGON
COMBINING BALANCE SHEET
FIDUCIARY FUNDS

(Expressed in Thousands)

	<u>PENSION TRUSTS</u>	<u>NONEXPENDABLE TRUSTS</u>	
	<u>PUB. EMPL. RETIREMENT SYSTEM</u>	<u>STATE LANDS</u>	<u>OTHER</u>
<u>ASSETS</u>			
Cash on Hand and in Banks	\$ -	\$ 259	\$ -
Cash and Pooled Investments	73,902	11,279	638
Investments - State Treasury	4,622,430	132,347	7
Investments - Other	100	5,276	-
Securities Held in Trust	-	767	-
Receivables	38,875	560	-
Interfunds Receivables	35	-	-
Interest Receivable	53,023	3,547	-
Inventories	26	6	-
Contracts, Notes, and Mortgages Receivable	-	-	-
Land, Buildings, and Improvements	-	909	-
Equipment	368	286	-
Less Allowance for Depreciation	(184)	-	-
Total Assets	<u>\$4,788,575</u>	<u>\$155,236</u>	<u>\$ 645</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 29,570	\$ 332	\$ -
Due to Other Governments	10	10,879	-
Interfunds Payable	-	294	-
Notes Payable - Short-term	-	-	-
Trust Funds Payable	-	13,267	-
Vacation Payable - Short-term	21	64	-
Deferred Income	-	97	-
Lease Purchase Contract Payable	-	1	-
Vacation Payable - Long-term	64	33	-
Total Liabilities	<u>\$ 29,665</u>	<u>\$ 24,967</u>	<u>\$ -</u>
<u>Fund Equity</u>			
Invested in Fixed Assets	\$ -	\$ -	\$ -
Reserve for Trust Funds	4,758,910	130,269	645
Fund Balance - Unreserved	-	-	-
Total Fund Equity	<u>\$4,758,910</u>	<u>\$130,269</u>	<u>\$ 645</u>
Total Liabilities and Fund Equity	<u>\$4,788,575</u>	<u>\$155,236</u>	<u>\$ 645</u>

EXPENDABLE TRUSTS

<u>EMPLOYMENT</u>	<u>OTHER</u>	<u>AGENCY FUNDS</u>	<u>JUNE 30,</u>	
			<u>1985</u>	<u>1984</u>
\$ -	\$ (256)	\$ 47,397	\$ 47,400	\$ 32,691
206,734	6,270	613,815	912,638	856,145
-	8	10	4,754,802	4,022,622
206	-	647,055	5,376	4,849
92,806	540	27,984	648,028	604,780
-	73	41,427	160,765	178,724
-	36	204	41,535	46,410
-	-	-	56,810	53,762
24,853	250	23,390	32	68
-	-	1,726	48,493	136,700
-	119	366	2,635	2,297
-	-	-	1,139	892
<u>\$324,599</u>	<u>\$ 7,040</u>	<u>\$1,403,374</u>	<u>(184)</u>	<u>(163)</u>
			<u>\$6,679,469</u>	<u>\$5,939,777</u>
\$ 758	\$ -	\$ 174	\$ 30,834	\$ 40,880
2,312	-	61,603	74,804	71,395
-	1	2,937	3,232	282,620
272	190	1,338,660	-	23,843
24,853	247	-	1,352,389	1,003,204
-	-	-	85	85
-	-	-	25,197	137,275
-	-	-	1	2
-	-	-	97	97
<u>\$ 28,195</u>	<u>\$ 438</u>	<u>\$1,403,374</u>	<u>\$1,486,639</u>	<u>\$1,559,401</u>
\$ -	\$ 119	\$ -	\$ 119	\$ 111
296,404	6,483	-	4,889,824	4,141,390
<u>\$296,404</u>	<u>\$ 6,602</u>	<u>\$ -</u>	<u>302,887</u>	<u>238,875</u>
<u>\$324,599</u>	<u>\$ 7,040</u>	<u>\$1,403,374</u>	<u>\$5,192,830</u>	<u>\$4,380,376</u>
			<u>\$6,679,469</u>	<u>\$5,939,777</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND EQUITY
EXPENDABLE TRUST FUNDS

(Expressed in Thousands)

	EMPLOYMENT	OTHER	HIGHER EDUCATION	FISCAL YEAR ENDED	
				1985	1984
<u>Revenue</u>					
Employer - Employee Taxes	\$287,846	\$ -	\$ -	\$287,846	\$ 264,310
Other Taxes	-	941	-	941	881
Nonbusiness Licenses and Fees	-	-	-	-	71
Federal Revenues	36,498	-	-	36,498	54,433
Charge for Services	-	399	-	399	-
Interest Income	20,487	449	-	20,936	13,317
Sales Income	-	-	-	-	6,671
Donations and Grants (Nonfederal)	-	453	-	453	502
Other Revenue	-	642	-	642	9,122
Total Revenue	<u>\$344,831</u>	<u>\$ 2,884</u>	<u>\$ -</u>	<u>\$347,715</u>	<u>\$ 349,307</u>
<u>Expenditures</u>					
Personal Services	\$ -	\$ 1,608	\$ -	\$ 1,608	\$ 1,682
Services and Supplies	-	2,719	-	2,719	3,753
Capital Outlay	-	48	-	48	41
Special Payments	277,715	236	-	277,951	(11,361)
Total Expenditures	<u>\$277,715</u>	<u>\$ 4,611</u>	<u>\$ -</u>	<u>\$282,326</u>	<u>\$ (5,885)</u>
Excess Revenue Over Expenditures	<u>\$ 67,116</u>	<u>\$ (1,727)</u>	<u>\$ -</u>	<u>\$ 65,389</u>	<u>\$ 355,192</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers-in	\$ -	\$ 4,882	\$ -	\$ 4,882	\$ 5,092
Operating Transfers-out	(198)	(1,085)	-	(1,283)	(298,669)
Loan Repayments	73	-	-	73	-
Total Other Financing Sources (Uses)	<u>\$ (125)</u>	<u>\$ 3,797</u>	<u>\$ -</u>	<u>\$ 3,672</u>	<u>\$ (293,577)</u>
Total Revenue and Other Financing Sources (Uses) Over Expenditures	<u>\$ 66,991</u>	<u>\$ 2,070</u>	<u>\$ -</u>	<u>\$ 69,061</u>	<u>\$ 61,615</u>
Fund equity previously reported	\$229,665	\$ 9,371	\$1,932	\$240,968	\$ 179,323
Cumulative effect on prior years restatement for accounting change: Higher Education	-	-	(1,932)	(1,932)	-
Fund Equity - Beginning (restated)	<u>\$229,665</u>	<u>\$ 9,371</u>	<u>\$ -</u>	<u>\$239,036</u>	<u>\$ 179,323</u>
Decrease in Reserve for Inventories	-	-	-	-	(26)
Increase in Investment in Fixed Assets	-	8	-	8	(1,231)
Increase in Other Reserves	-	-	-	-	179
Prior Period Adjustment	(252)	(4,847)	-	(5,099)	(824)
Fund Equity-Ending	<u>\$296,404</u>	<u>\$ 6,602</u>	<u>\$ -</u>	<u>\$303,006</u>	<u>\$ 239,036</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
PENSION TRUSTS AND NONEXPENDABLE TRUST FUNDS

(Expressed in Thousands)

	PENSION TRUSTS		NONEXPENDABLE TRUSTS		
	PUB. EMPL. RETIREMENT SYSTEM	DEFERRED COMPENSATION	STATE LANDS	OTHER	HIGHER EDUCATION
<u>Operating Revenues</u>					
Contributions	\$ 419,128	\$ -	\$ -	\$ -	\$ -
Interest Income	583,734	-	15,124	63	-
Total	\$1,002,862	\$ -	\$ 15,124	\$ 63	\$ -
<u>Other Income</u>					
Nonbusiness Licenses	-	-	53	-	-
Charges for Services	-	-	61	-	-
Rents and Royalties	-	-	1,389	-	-
Sales Income	-	-	12,195	-	-
Donations and Grants (Nonfederal)	-	-	58	102	-
Other Revenue	-	-	961	3	-
Gain (Loss) on Sale of Equipment	(2)	-	64	-	-
Total Income	\$1,002,860	\$ -	\$ 29,905	\$ 168	\$ -
<u>Operating Expenses</u>					
Salaries and Wages	\$ 1,718	\$ -	\$ 1,113	\$ -	\$ -
Services and Supplies	1,024	-	582	-	-
Depreciation	32	-	-	-	-
Benefit Payments	231,694	-	-	-	-
Distributions to Governments	-	-	15,543	-	-
Total Expenses	\$ 234,468	\$ -	\$ 17,238	\$ -	\$ -
Net Operating Income (Loss)	\$ 768,392	\$ -	\$ 12,667	\$ 168	\$ -
Operating Transfers-in	305	-	407	27	-
Operating Transfers-out	(6)	-	(2,936)	(61)	-
Net Income	\$ 768,691	\$ -	\$ 10,138	\$ 134	\$ -
Fund Equity previously reported	\$3,990,304	\$31,271	\$119,947	\$ -	\$25,966
Cumulative effect on prior years restatement for accounting change:					
Deferred Compensation	-	(31,271)	-	-	-
Higher Education	-	-	-	-	(25,966)
Compensated Absences	(85)	-	(116)	-	-
Fund Equity - Beginning (restated)	\$3,990,219	\$ -	\$119,831	\$ -	\$ -
Prior Period Adjustment	-	-	300	511	-
Fund Equity - Ending	\$4,758,910	\$ -	\$130,269	\$ 645	\$ -

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FISCAL YEAR ENDED JUNE 30,	
<u>1985</u>	<u>1984</u>
\$ 419,128	\$ 391,321
<u>598,921</u>	<u>445,566</u>
\$1,018,049	\$ 836,887
53	46
61	94
1,389	1,563
12,195	-
160	10
964	2,927
<u>62</u>	<u>183</u>
\$1,032,933	\$ 841,710
\$ 2,831	\$ 2,666
1,606	1,739
32	17
231,694	197,068
<u>15,543</u>	<u>14,037</u>
\$ 251,706	\$ 215,527
\$ 781,227	\$ 626,183
739	7,514
<u>(3,003)</u>	<u>(4,245)</u>
\$ 778,963	\$ 629,452
\$4,167,488	\$3,589,020
(31,271)	(31,271)
(25,966)	(84,024)
<u>(201)</u>	<u>(201)</u>
\$4,110,050	\$3,473,524
811	7,074
<u>\$4,889,824</u>	<u>\$4,110,050</u>

STATE OF OREGON
COMBINING STATEMENT OF CHANGES IN
FINANCIAL POSITION
PENSION TRUST AND NONEXPENDABLE TRU FUNDS

(Expressed in Thousands)

	PENSION TRUSTS	NONEXPENDABLE TRUSTS		FISCAL YEAR ENDED	
	PUB. EMPL. RETIREMENT SYSTEM	STATE LANDS	OTHER	1985	JUNE 30, 1984
<u>Sources of Working Capital</u>					
Operations:					
Net Income (Loss)	\$768,691	\$10,138	\$ 134	\$778,963	\$629,452
Items Not Requiring (Providing)					
Working Capital					
Depreciation	32	-	-	32	17
Total Provided by Operations	\$768,723	\$10,138	\$ 134	\$778,995	\$629,469
Disposal of Equipment	-	2	-	2	-
Prior period adjustment	-	300	511	811	7,074
Total Provided	\$768,723	\$10,440	\$ 645	\$779,808	\$636,543
<u>Uses of Working Capital</u>					
Acquisition of Property	\$ 70	\$ 96	\$ -	\$ 166	\$ 280
Change in Valuation of Land	-	19	-	19	-
Contract Payments made	-	2	-	2	-
Total Applied	\$ 70	\$ 117	\$ -	\$ 187	\$ 280
Net Increase (Decrease) in Working Capital	\$768,653	\$10,323	\$ 645	\$779,621	\$636,263
<u>Elements of Net Increase (Decrease) in Working Capital</u>					
Cash	\$(12,573)	\$(2,892)	\$ 638	\$(14,827)	\$ 59,470
Investments	717,350	15,370	7	732,727	606,552
Receivables	(2,301)	144	-	(2,157)	10,677
Inventories	(29)	(7)	-	(36)	23
Payables	66,206	(2,230)	-	63,976	(40,424)
Deferred Income	-	(62)	-	(62)	(35)
Net Increase (Decrease) in Working Capital	\$768,653	\$10,323	\$ 645	\$779,621	\$636,263

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STATE OF OREGON
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
TRUST AND AGENCY FUNDS

(Expressed in Thousands)

	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
Revenue				
Selective Sales and Use Taxes	\$ 220,684	\$ 206,966	\$ 8,581	\$ (5,137)
Gross Receipts Business Taxes	6,901	3,480	3,855	434
Employer-Employee Taxes	84,000	44,683	48,827	9,510
Severance Taxes	91,500	28,076	28,620	(34,804)
Other Taxes	14,586	13,724	941	79
Business Licenses and Fees	199	199	-	-
Nonbusiness Licenses and Fees	60,836	60,865	127	156
Federal Revenue	3,650	1,268	1,573	(809)
Charge for Services	2,204	2,191	1,313	1,300
Fines and Forfeitures	-	-	62	62
Rents and Royalties	4,759	536	1,389	(2,834)
Interest Income	385,666	443,802	599,038	657,174
Sales Income (Net)	34,165	10,983	12,233	(10,949)
Donations and Grants (Nonfederal)	357	470	(86)	27
Contributions	1,965,739	720,416	417,251	(828,072)
Other Revenue	3,491	3,507	1,251	1,267
Total Revenue	\$2,878,737	\$1,541,166	\$1,124,975	\$ (212,596)
Expenditures				
Personal Services	\$ 9,699	\$ 4,328	\$ 4,415	\$ 956
Services and Supplies	8,881	3,550	2,737	2,594
Capital Outlay	372	212	166	(6)
Special Payments	3,613	1,162	1,541	910
Total Expenditures	\$ 22,565	\$ 9,252	\$ 8,859	\$ 4,454
Excess (Deficiency) of Revenues Over Expenditures	\$2,856,172	\$1,531,914	\$1,116,116	\$ (208,142)
Other Financing Sources (Uses)				
Nonlimited Expenditures	-	(506,291)	(665,125)	(1,171,416)
Nonlimited Revenue	-	369,915	495,520	865,435
Operating Transfers-in	46,561	203,517	16,934	173,890
Operating Transfers-out	(304,678)	(292,020)	(17,605)	(4,947)
Transfers to Counties and Cities	(217,979)	(98,691)	(89,884)	29,404
Transfers-out - Other	(766,300)	(530,128)	1,876	238,048
Loan Proceeds	-	13,191	-	13,191
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$1,613,776	\$ 691,407	\$ 857,832	\$ (64,537)
Fund Equity previously reported		\$3,768,343	\$4,408,456	
Cumulative effect on prior years restatement for accounting change:				
Deferred Compensation		(31,271)	(31,271)	
Higher Education		(84,024)	(27,898)	
Compensated Absences		(182)	(182)	
Fund Equity Beginning (restated)		\$3,652,866	\$4,349,105	
Transactions Recorded During the Year But Charged to Prior Biennia				
Revenue		6,211	(2,529)	
Expenditures		(7,082)	-	
Increase (Decrease) in Reserves				
Inventories		(26)	(36)	
Proprietary-Type Trusts		548	-	
Other		(1,052)	140	
GAAP Reclassification of Fund Equity		-	(7,362)	
Depreciation		(17)	(32)	
Prior Period Adjustments		6,250	(4,288)	
Fund Equity Ending		\$4,349,105	\$5,192,830	

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**College and University
Funds**

COLLEGE AND UNIVERSITY FUNDS

The College and University Funds account for the resources received and used to operate Oregon's institutions of higher education and medical teaching hospitals.

STATE OF OREGON
COMBINING BALANCE SHEET
ALL COLLEGE AND UNIVERSITY FUNDS

(Expressed in Thousands).

ASSETS	CURRENT FUNDS		
	CURRENT GENERAL	AUXILIARY ENTERPRISE	RESTRICTED
Cash and Pooled Investments	\$25,987	\$ 5,301	\$(15,401)
Investments - State Treasury	-	-	14,087
Investments - Other	2	19	17
Receivables	21,465	2,107	19,389
Interfund Receivables	9	22	54
Inventories	4,632	2,498	-
Prepaid and Deferred Expenses	2,540	339	1
Contracts, Mortgages, and Notes Receivable	-	-	-
Land, Buildings and Improvements	-	-	-
Construction in Process	-	-	-
Equipment and Machinery	-	-	-
Allowance for Depreciation	-	-	-
Total Assets	<u>\$54,635</u>	<u>\$10,286</u>	<u>\$ 18,147</u>
LIABILITIES AND FUND EQUITY			
<u>Liabilities</u>			
Accounts and Interest Payable	\$15,385	\$ 974	\$ 2,122
Interfund Payables	56	20	2
Due to Other Governments	-	-	-
Trust Funds Payable	1,382	700	-
Contract, Mortgages, and Notes Payable	-	-	-
Obligation Under Capital Lease	-	-	-
Vacation Payable - Long-Term	8,187	699	1,310
General Obligation Bonds Payable	-	-	-
Deferred Income	7,295	1,993	2,085
Total Liabilities	<u>\$32,305</u>	<u>\$ 4,386</u>	<u>\$ 5,519</u>
<u>Fund Equity</u>			
Fund Balance - Unreserved	<u>\$22,330</u>	<u>\$ 5,900</u>	<u>\$ 12,628</u>
Total Fund Equity	<u>\$22,330</u>	<u>\$ 5,900</u>	<u>\$ 12,628</u>
Total Liabilities and Equity	<u>\$54,635</u>	<u>\$10,286</u>	<u>\$ 18,147</u>

FIDUCIARY FUNDS			PLANT FUNDS			JUNE 30, 1985
LOAN FUNDS	ENDOWMENT FUNDS	AGENCY FUNDS	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	
\$ 1,880	\$ 708	\$1,432	\$ 9,668	\$ 5,156	\$ -	\$ 34,731
-	22,218	-	11,220	29,665	-	77,190
83	1,116	-	106	-	-	1,343
2,612	-	20	260	972	-	46,825
-	-	-	-	-	-	85
-	-	-	-	-	-	7,130
-	-	-	-	-	-	2,880
63,086	-	-	-	-	-	63,086
-	-	-	-	-	467,178	467,178
-	-	-	-	-	6,208	6,208
-	-	-	-	-	298,693	298,693
-	-	-	-	-	(33,143)	(33,143)
<u>\$67,661</u>	<u>\$24,042</u>	<u>\$1,452</u>	<u>\$21,254</u>	<u>\$35,793</u>	<u>\$738,936</u>	<u>\$972,206</u>
\$ -	\$ -	\$ 1	\$ 356	\$ -	\$ -	\$ 18,838
-	-	-	7	-	-	85
-	-	-	106	-	-	106
-	-	1,451	-	-	-	3,533
-	-	-	-	-	124	124
-	-	-	-	-	2,407	2,407
-	-	-	-	-	-	10,196
-	-	-	-	-	139,083	139,083
9	-	-	-	137	-	11,519
<u>\$ 9</u>	<u>\$ -</u>	<u>\$1,452</u>	<u>\$ 469</u>	<u>\$ 137</u>	<u>\$141,614</u>	<u>\$185,891</u>
<u>\$67,652</u>	<u>\$24,042</u>	<u>\$ -</u>	<u>\$20,785</u>	<u>\$35,656</u>	<u>\$597,322</u>	<u>\$786,315</u>
<u>\$67,652</u>	<u>\$24,042</u>	<u>\$ -</u>	<u>\$20,785</u>	<u>\$35,656</u>	<u>\$597,322</u>	<u>\$786,315</u>
<u>\$67,661</u>	<u>\$24,042</u>	<u>\$1,452</u>	<u>\$21,254</u>	<u>\$35,793</u>	<u>\$738,936</u>	<u>\$972,206</u>

See letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY - ALL COLLEGE AND UNIVERSITY FUNDS

(Expressed in Thousands)

	CURRENT FUNDS		
	CURRENT GENERAL	AUXILIARY ENTERPRISE	RESTRICTED
<u>Revenue</u>			
Federal Revenue	\$ 23,371	\$ 24	\$ 87,126
Charges for Services	220,264	64,543	6,836
Fines and Forfeitures	331	169	-
Rents and Royalties	307	-	3
Interest Income	347	439	3,971
Sales Income	-	-	-
Donations and Grants (Nonfederal)	4,198	549	29,393
Other Revenue	7,045	2,389	10,247
Total Revenue	<u>\$255,863</u>	<u>\$68,113</u>	<u>\$137,576</u>
<u>Other Financing Sources (Uses)</u>			
Transfers-in	\$246,070	\$ 227	\$ 5,615
Transfers-out	(12,099)	(5,650)	(761)
Increase in Fixed Assets	-	-	-
Decrease in Bonds Payable	-	-	-
Total Other Financing Sources (Uses)	<u>\$233,971</u>	<u>\$(5,423)</u>	<u>\$ 4,854</u>
Total Revenue and Other Financing Sources (Uses)	<u>\$489,834</u>	<u>\$62,690</u>	<u>\$142,430</u>
<u>Expenditures</u>			
Personal Services	\$338,929	\$25,874	\$ 65,703
Services and Supplies	110,467	34,847	33,802
Capital Outlay	20,056	129	8,715
Special Payments	3,069	1,656	33,242
Debt Service	242	90	41
Total Expenditures	<u>\$472,763</u>	<u>\$62,596</u>	<u>\$141,503</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>\$ 17,071</u>	<u>\$ 94</u>	<u>\$ 927</u>
Fund Equity previously reported	-	-	-
Cumulative effect on prior years restatement for accounting change:			
Higher Education	13,446	6,505	13,011
Compensated Absences	(8,187)	(699)	(1,310)
Fund Equity Beginning (restated)	<u>\$ 5,259</u>	<u>\$ 5,806</u>	<u>\$ 11,701</u>
Fund Equity - Ending	<u>\$ 22,330</u>	<u>\$ 5,900</u>	<u>\$ 12,628</u>

FIDUCIARY FUNDS			PLANT FUNDS			FISCAL YEAR ENDED JUNE 30, 1985
LOAN FUNDS	ENDOWMENT FUNDS	AGENCY FUNDS	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	
\$ 776	\$ -	\$ -	\$ 2,913	\$ 205	\$ -	\$114,415
-	-	-	22	2,251	-	293,916
-	-	-	-	-	-	500
-	2	-	-	22	-	334
1,173	-	-	1,529	5,633	-	13,092
-	-	-	-	-	-	-
107	1,017	-	192	-	-	35,456
407	151	-	6,337	2,756	-	29,332
<u>\$ 2,463</u>	<u>\$ 1,170</u>	<u>\$ -</u>	<u>\$10,993</u>	<u>\$10,867</u>	<u>\$ -</u>	<u>\$487,045</u>
\$ 208	\$ 527	\$ -	\$ 4,354	\$18,824	\$ -	\$275,825
(187)	(383)	-	(1,361)	(9,431)	-	(29,872)
-	-	-	-	-	40,388	40,388
-	-	-	-	-	8,168	8,168
<u>\$ 21</u>	<u>\$ 144</u>	<u>\$ -</u>	<u>\$ 2,993</u>	<u>\$ 9,393</u>	<u>\$ 48,556</u>	<u>\$294,509</u>
<u>\$ 2,484</u>	<u>\$ 1,314</u>	<u>\$ -</u>	<u>\$13,986</u>	<u>\$20,260</u>	<u>\$ 48,556</u>	<u>\$781,554</u>
\$ -	\$ -	\$ -	\$ 55	\$ -	\$ -	\$430,561
162	11	-	2,645	51	-	181,985
-	-	-	13,429	-	-	42,329
-	-	-	-	-	-	37,967
-	-	-	5	15,706	-	16,084
<u>\$ 162</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$16,134</u>	<u>\$15,757</u>	<u>\$ -</u>	<u>\$708,926</u>
\$ 2,322	\$ 1,303	\$ -	\$(2,148)	\$ 4,503	\$ 48,556	\$ 72,628
-	-	-	-	-	-	-
65,330	22,739	-	22,933	31,153	548,766	723,883
-	-	-	-	-	-	(10,196)
<u>\$65,330</u>	<u>\$22,739</u>	<u>\$ -</u>	<u>\$22,933</u>	<u>\$31,153</u>	<u>\$548,766</u>	<u>\$713,687</u>
<u>\$67,652</u>	<u>\$24,042</u>	<u>\$ -</u>	<u>\$20,785</u>	<u>\$35,656</u>	<u>\$597,322</u>	<u>\$786,315</u>

See letter of transmittal for comments.

The notes to the financial statements are an integral part of this report.

STATE OF OREGON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL COLLEGE AND UNIVERSITY FUNDS

(Expressed in Thousands)

Revenue	1983-85 BUDGET	1ST YEAR ACTUALS	2ND YEAR ACTUALS	VARIANCE FAVORABLE (UNFAVORABLE)
Federal Revenue	\$ 83,546	\$ 19,808	\$ 25,094	\$ (38,644)
Charges for Services	369,508	189,520	183,045	3,057
Fines and Forfeitures	-	288	325	613
Rents and Royalties	-	1,045	-	1,045
Interest Income	109	5,110	1,376	6,377
Sales Income	-	5,475	-	5,475
Donations and Grants (Nonfederal)	8,864	5,718	4,177	1,031
Contributions	-	-	-	-
Other Revenue	17,746	6,963	5,277	(5,506)
Total Revenue	\$ 479,773	\$ 233,927	\$ 219,294	\$ (26,552)
Expenditures				
Personal Services	\$ 671,434	\$ 328,231	\$ 325,989	\$ 17,214
Services and Supplies	165,753	87,035	88,586	(9,868)
Capital Outlay	75,429	22,082	22,728	30,619
Special Payments	26,469	25,185	11,585	(10,301)
Debt Service	10,690	15,134	5,503	(9,947)
Total Expenditures	\$ 949,775	\$ 477,667	\$ 454,391	\$ 17,717
Excess (Deficiency) of Revenues Over Expenditures	\$ (470,002)	\$ (243,740)	\$ (235,097)	\$ (8,835)
Other Financing Sources (Uses)				
Nonlimited Expenditures	\$ -	\$ (223,186)	\$ (262,672)	\$ (485,858)
Nonlimited Revenues	-	250,977	271,209	522,186
Operating Transfers-in - Interfund	441,842	94,628	252,742	(94,472)
Operating Transfers-out - Interfund	-	194,270	(10,128)	184,142
Bond Sales/Loan Proceeds	15,535	-	-	(15,535)
Loan Repayments	14,072	5,367	5,735	(2,970)
Excess (Deficiency) of Revenues Over Expenditures and Other Uses	\$ 1,447	\$ 78,316	\$ 21,789	\$ 98,658
Fund Equity previously reported		\$ -	\$ -	
Cumulative effect on prior years restatement for accounting change:				
Higher Education		62,506	723,883	
Compensated Absences		(10,196)	(10,196)	
Fund Equity Beginning (restated)		\$ 52,310	\$ 713,687	
Transactions Recorded During The Year But Charged to Prior Biennia				
Revenue		(84)	-	
Expenditures		3	(707)	
Increase (Decrease) in Reserves				
Inventories		(1,249)	-	
Revolving Accounts		-	-	
Other		607,454	2,990	
Depreciation and Amortization		(256)	-	
Net Increase in Investment in Plant		-	48,556	
Prior Period Adjustments		(22,807)	-	
Fund Equity Ending		\$ 713,687	\$ 786,315	

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

**General Fixed Assets
Account Group**

GENERAL FIXED ASSETS ACCOUNT GROUP

General Fixed Assets Account Group accounts for fixed assets acquired through governmental-type funds.

STATE OF OREGON
SCHEDULE OF GENERAL FIXED ASSETS
(Expressed in Thousands)

	JUNE 30,	
	<u>1985</u>	<u>1984</u>
Land	\$139,395	\$125,211
Buildings	149,829	146,882
Improvements Other than Buildings	7,120	11,999
Construction in Process	7,782	366
Equipment and Machinery	132,445	112,934
Data Processing Software	320	98
Leasehold Improvements	957	838
Capital Leased Property	<u>450</u>	<u>1,718</u>
Total General Fixed Assets (Note 4)	<u>\$438,298</u>	<u>\$400,046</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.

General Long-Term
Debt Account Group

GENERAL LONG-TERM DEBT ACCOUNT GROUP

General Long-Term Debt Account Group accounts for long-term debt other than those incurred in Proprietary, Special Assessment, and certain Trust Funds.

STATE OF OREGON
SCHEDULE OF GENERAL LONG-TERM DEBT

(Expressed in Thousands)

AMOUNT AVAILABLE AND TO BE PROVIDED FOR THE PAYMENT OF LONG-TERM DEBT	JUNE 30,	
	1985	1984
Amount Available in Debt Service Fund	\$ 30,856	\$ 25,980
Amount to be Provided - Long-Term Liabilities	10,040	1,960
Amount to be Provided - Long-Term Debt	176,999	208,850
Amount to be Provided - Vacation Payable	<u>17,980</u>	<u>17,980</u>
Total Available and to be Provided (Note 11)	<u>\$235,875</u>	<u>\$254,770</u>

GENERAL LONG-TERM DEBT PAYABLE

Bonds Payable

Community College and Education Center	\$ 33,730	\$ 35,080
Oregon Pollution Control	137,125	144,450
Oregon State Highway	<u>37,000</u>	<u>55,300</u>
Total	<u>\$207,855</u>	<u>\$234,830</u>

Other Long-Term Liabilities

Advances From General Fund	621	140
Contracts, Mortgages, & Notes Payable	7,642	964
Obligations under Capital Lease	10	-
Lease Purchase Contracts Payable	1,767	856
Vacation Payable	<u>17,980</u>	<u>17,980</u>
Total in Long-Term Debt Account Group	<u>\$235,875</u>	<u>\$254,770</u>

Prepared without audit - see letter of transmittal for comments.
The notes to the financial statements are an integral part of this report.



STATE OF OREGON
REDISTRIBUTIONS OF REVENUE
FOR THE YEAR ENDED JUNE 30, 1985

(Expressed in Thousands)

Numerous moneys are distributed biennially by the State to local governmental units and individuals. Redistributions of revenue are recorded and reported in various ways by the state agencies depending on their legislatively-approved budgets. This is a summary of the distributions that are reported as Transfers-out, Special Payments Expenditures, or Nonlimited Expenditures in the financial statements. During 1984-85 the State of Oregon made the following distributions:

	1984-85 <u>TOTAL</u>	STATE NONLIMITED <u>FUNDS</u>	OTHER <u>FUNDS</u>	FEDERAL <u>FUNDS</u>	GENERAL <u>FUND</u>
Cities	\$ 74,502	\$ 18,090	\$ 42,218	\$ 13,126	\$ 1,068
Counties	365,363	103,683	191,902	27,347	42,431
Other Governmental Units	14,968	7,510	62	6,048	1,348
Nongovernmental Units	72,636	23,036	701	45,431	3,468
Individuals	1,199,934	667,693	257,109	150,352	124,780
Local School Districts	552,488	448,775	2,069	79,612	22,032
Community Colleges	62,331	-	964	4,677	56,690
Other (A)	24,650	5,387	5,533	7,125	6,605
Total	<u>\$2,366,872</u>	<u>\$1,274,174</u>	<u>\$500,588</u>	<u>\$333,718</u>	<u>\$258,422</u>

(A) Some state agencies are using "Other" instead of the more specific classification.

STATE OF OREGON
HISTORICAL STATEMENT OF
BUDGETARY REVENUES

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30,				
	1985	1984	1983	1982	1981
Income Taxes	\$1,473,286	\$1,365,762	\$1,319,803	\$1,093,073	\$1,165,123
Selective Sales and Use Taxes	267,390	272,183	248,258	213,593	197,267
Gross Receipts Business Taxes	47,483	42,014	39,801	40,338	40,376
Employer - Employee Taxes	445,432	405,461	378,088	317,043	73,416
Inheritance and Gift Taxes	29,201	33,705	35,760	42,216	35,428
Severance Taxes	31,027	29,879	48,486	47,625	49,975
Other Taxes	14,698	14,125	12,768	6,846	4,431
Business Licenses and Fees	29,589	32,268	26,363	27,642	27,771
Nonbusiness Licenses and Fees	97,775	91,198	85,462	82,492	76,393
Federal Revenues	1,087,678	953,033	988,338	910,698	1,069,192
Charges for Services	568,261	570,252	524,738	461,000	423,678
Fines and Forfeitures	19,359	29,481	17,358	7,187	5,659
Rents and Royalties	18,347	18,863	16,746	21,937	17,715
Bond Sales	399,220	218,970	520,525	251,100	1,159,080
Interest Income	1,236,156	1,028,705	931,077	683,229	604,040
Sales Income	308,923	278,498	247,786	233,695	225,505
Cost of Goods Sold	(151,724)	(150,553)	(125,679)	(80,157)	(81,044)
Donations and Grants (Nonfederal)	39,179	39,868	35,458	36,225	26,860
Contributions (Retirement)	781,698	720,416	692,798	700,085	632,452
Loan Repayments	507,035	451,564	407,478	268,507	217,540
SAIF Assessment	-	-	81,000	-	-
Workers' Compensation Premiums	139,607	169,247	*	237,497	*
Other Revenue	74,643	70,785	94,223	68,917	43,797
Loan Proceeds	14,642	13,349	-	4,785	-
Revenue Transfers (Net)	<u>77,700</u>	<u>174,182</u>	<u>76,916</u>	<u>46,758</u>	<u>75,301</u>
Total Revenue	<u>\$7,556,605</u>	<u>\$6,873,255</u>	<u>\$6,703,551</u>	<u>\$5,487,834</u>	<u>\$6,327,452</u>

*Included in Employer - Employee Taxes

STATE OF OREGON
HISTORICAL STATEMENT OF
BUDGETARY EXPENDITURES
BY BUDGET AUTHORITY

(Expressed in Thousands)

	FISCAL YEAR ENDED JUNE 30,				
	<u>1985</u>	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1981</u>
<u>STATE GENERAL FUND EXPENDITURES</u>					
Personal Services	\$ 416,795	\$ 386,337	\$ 342,682	\$ 362,855	\$ 325,879
Services and Supplies	130,741	112,291	93,636	88,470	84,851
Capital Outlay	29,742	17,196	8,158	10,704	16,701
Special Payments	1,001,214	982,223	937,540	1,009,738	944,850
Debt Service	5,378	6,868	2,888	5,772	2,970
Total General Fund	<u>\$1,583,870</u>	<u>\$1,504,915</u>	<u>\$1,384,904</u>	<u>\$1,477,539</u>	<u>\$1,375,251</u>
<u>OTHER FUND EXPENDITURES</u>					
Personal Services	\$ 499,609	\$ 501,771	\$ 474,562	\$ 418,665	\$ 385,859
Services and Supplies	505,043	460,705	437,581	439,940	649,401
Capital Outlay	40,712	26,861	35,938	23,098	27,873
Special Payments	316,208	244,187	82,108	42,327	58,635
Debt Service	23,935	26,126	11,877	9,512	9,414
Total Other Funds	<u>\$1,385,507</u>	<u>\$1,259,650</u>	<u>\$1,042,066</u>	<u>\$ 933,542</u>	<u>\$1,131,182</u>
<u>FEDERAL FUND EXPENDITURES</u>					
Personal Services	\$ 119,910	\$ 120,839	\$ 118,280	\$ 118,379	\$ 110,592
Services and Supplies	50,689	43,514	42,068	40,565	41,098
Capital Outlay	6,201	4,527	2,764	2,473	6,504
Special Payments	452,529	387,767	375,773	326,840	422,289
Total Federal Funds	<u>\$ 629,329</u>	<u>\$ 556,647</u>	<u>\$ 538,885</u>	<u>\$ 488,257</u>	<u>\$ 580,483</u>
<u>NONLIMITED FUND EXPENDITURES</u>					
Personal Services	\$ 133,442	\$ 124,364	\$ 98,810	\$ 95,283	\$ 93,938
Services and Supplies	218,813	192,811	167,037	143,010	128,376
Capital Outlay	16,246	12,238	8,603	9,811	12,880
Special Payments	1,688,059	1,724,978	1,714,847	1,805,799	1,999,715
Debt Service	880,634	697,390	627,050	575,489	522,009
Other	30,432	26,476	24,276	3,133	3,436
Total Nonlimited Funds	<u>\$2,967,626</u>	<u>\$2,778,257</u>	<u>\$2,640,623</u>	<u>\$2,632,525</u>	<u>\$2,760,354</u>
Total Expenditures	<u>\$6,566,332</u>	<u>\$6,099,469</u>	<u>\$5,606,478</u>	<u>\$5,531,863</u>	<u>\$5,847,270</u>

ANALYSIS OF BONDED DEBT

The State of Oregon Constitution provides for the issuance of general obligation debt for a number of purposes. The State may also issue revenue bonds under various State laws.

General obligation bonds are secured by the full faith and credit of the government and are not deemed a primary obligation of any specific fund of the organization.

Revenue bonds such as the housing revenue bonds are not secured by the full faith and credit of the State nor are the bonds an obligation of the State. They are secured and payable only from the obligations of the mortgage lenders as collaterally secured by approved securities or to first mortgage liens on low income family residential property.

The following summary information is provided for the year ended June 30, 1985 to aid in analysis of State bonded debt.

Analysis of General Obligation Debt.

Summary of Outstanding Debt and Constitutional and Statutory Provisions.

Summary of Oregon State Constitutional Provisions regarding General Obligation Debt.

STATE OF OREGON
GENERAL OBLIGATION DEBT SUMMARY ^{1/}

(Expressed in Whole Dollars)

	JUNE 30,				
	1981	1982	1983	1984	1985
Total General Obligation Debt	\$5,523,265,000	\$5,673,406,000	\$5,893,090,000	\$5,617,356,000	\$5,535,043,000 ^{1/}
Revenue Supported General Obligation Debt	\$5,377,521,631	\$5,532,547,631	\$5,749,380,000	\$5,479,246,000	\$5,402,845,000
Nonrevenue Supported General Obligation Debt	\$145,743,369	\$142,038,369	\$143,710,000	\$138,110,000	\$132,197,500
Population ^{2/}	2,660,735	2,656,185	2,635,000	2,660,000	2,660,000
Total Debt per Capita	\$2,075.84	\$2,135.92	\$2,236.47	\$2,111.88	\$2,080.84
True Cash Value (TCV)	\$82,426,835,098	\$86,428,611,621	\$85,364,563,949	\$85,399,676,330	\$85,399,676,330
Total Debt as Percent TCV	6.70%	6.56%	6.90%	6.58%	6.48%
Nonrevenue Supported General Obligation Debt per Capita	\$54.78	\$53.47	\$54.54	\$51.92	\$43.69
Nonrevenue Supported General Obligation Debt as Percent TCV	.18%	.16%	.17%	.17%	.15%
Total Personal Income ^{3/}	\$24,552,700,000	\$26,527,600,000	\$27,078,200,000	\$28,584,900,000	\$28,584,900,000
Revenue Supported General Obligation Debt as Percent Total Personal Income	21.90%	20.86%	21.76%	19.65%	19.36%
Nonrevenue Supported General Obligation Debt as Percent Total Personal Income	.59%	.54%	.53%	.48%	.46%

^{1/} Excludes bonds for this sale; \$170,000,000 in Veterans' Tax Notes which mature on November 1, 1985 and \$100,000,000 in Veterans' tax-exempt commercial paper.

^{2/} Population figures are as of July 1 each year, except that no new population figures are available after July 1, 1983. Source: Center for Population Research and Census, Portland State University.

^{3/} Total personal income is based on calendar year averages of preceding year; this tends to overstate percentages shown. Source: State of Oregon, Department of Human Resources, Employment Division, Information Systems Division. Detailed Components of Personal Income (Microfiche), U.S. Department of Commerce, Bureau of Economic Analysis, August 1984.

Compiled by: State of Oregon, Treasury Department, Municipal Bond Division.

STATE OF OREGON
OUTSTANDING DEBT
AND CONSTITUTIONAL AND STATUTORY PROVISIONS^{1/}
June 30, 1985

(Expressed in Thousands)

PURPOSE/DEPARTMENT	CONSTITU. PROVISION ^{2/}	CONSTITU. DEBT LIMIT ^{2/}	STATUTORY DEBT LIMIT	AMOUNT ISSUED ^{4/}	AMOUNT OUTSTAND. ^{5/}	AUTHORIZA REMAINING ^{6/}
<u>GENERAL OBLIGATION BONDS</u>						
General Fund:						
Higher Education Facilities	ART XI-G		-	\$92,083	\$57,330	
Community College & Education Center	ART XI-G	3/4% TCV	-	44,645	33,730	\$549,438
State Power Development	ART XI-D	1-1/2% TCV	-	-	-	1,280,995
General Purposes ^{3/}	ART XI-Sec 7	\$50	-	-	-	50
Oregon Forest Rehabilitation & Reforestation	ART XI-E	3/16% TCV	\$ 750/yr	13,350	-	160,124
Partially Self-supporting (70%)						
Oregon Pollution Control	ART XI-H	1% TCV	\$ 260,000	187,500	137,125	122,875
Fully Self-Supporting:						
Higher Education Building Projects	ART XI-F ^{1/}	3/4% TCV	-	151,293	81,753	558,745
Oregon State Highway	ART XI-Sec 7	1% TCV	various (see ORS 367)	246,050	37,000	816,997
Irrigation, Drainage and Water Projects	ART XI-1 ^{1/}	1-1/2% TCV	-	43,511	25,000	1,255,995
Elderly and Disabled Multi-family Housing	ART XI-I	1/2% TCV	-	99,215	98,415	328,583
Oregon Veterans' Welfare	ART XI-A	8% TCV	-	6,366,000	4,987,800	1,844,174
Alternate Energy Projects	ART XI-J	1/2% TCV	-	77,585	76,890	350,108
Oregon Pollution Control *(70% Self-Supporting)	(see above)			(see above)	-	(see above)
Total General Obligation Bonds				\$7,321,322	\$5,535,043	\$7,268,084
<u>REVENUE BONDS</u>						
Board of Forestry			\$ 500	-	-	\$500
Forest Development Financing			(ORS 530.140)			
Department of Commerce, Housing Division			\$1,030,000	\$597,468	\$499,274	\$530,726
Single-Family and Project Financing			(ORS 456.661)			
Oregon Mass Transportation			\$ 250,000	\$32,100	\$30,610	\$219,390
Financing Authority (Note)			(ORS 391.550)			
<u>INDUSTRIAL DEVELOPMENT REVENUE BONDS</u>						
Economic Development Department (Note)			No Limit			
Short-Term Debt ^{3/}	Art XI-Sec 7	\$50	(ORS 280.310)	\$267,507	\$210,121	\$ -

- ^{1/} Excludes bonds for this sale; \$170 million in Veterans' Tax Notes which mature on November 1, 1985 and \$100 million in Veterans' tax-exempt commercial paper.
- ^{2/} See page 2/ for a summary of the major provisions.
- ^{3/} The State of Oregon may not incur indebtedness exceeding \$50 without a constitutional amendment approved by the voters. The General Purposes and/or short-term debt categories both reflect this single limitation.
- ^{4/} Includes all issues and advance refunding bonds since each program's inception.
- ^{5/} Excludes refunded bonds, and \$16.115 million in bonds defeased by the Department of Water Resources.
- ^{6/} Based on the January 1, 1984 True Cash Value (TCV) of \$85,399,676.

Source: State of Oregon, Treasury Department, Municipal Bond Division.

STATE OF OREGON
Summaries of Oregon State Constitutional Provisions Regarding General Obligation Debt

ARTICLE IX

Section 2 of this Article states that the legislature shall provide for raising enough revenue to defray the expenses of the State for each fiscal year and also to pay the interest on the State debt. Section 3a of this Article restricts the use of gasoline taxes and other highway-user taxes to activities associated with the State's roads, including the retirement of bonds where these taxes have been pledged as the source of revenue. In addition, however, taxes on recreational vehicles may be used to acquire and care for parks and recreation areas. Section 6 requires the legislature to increase taxes to cover deficits occurring in the previous year and estimated expenses for the ensuing year.

ARTICLE XI

Section 7 limits the State's indebtedness for purposes not otherwise provided for in the constitution to \$50,000 and for building and maintaining roads to 1% TCV of property in the State. The section does not apply to real property leases up to 20 years entered into by the State for a public purpose.

ARTICLE XI-A

Section 1 of this Article authorizes the State to borrow up to 8% TCV of property in the State to create the Oregon War Veteran's Fund. Section 2 states that bonds of the Oregon War Veteran's Fund shall be a direct obligation of the State. An annual tax of up to 2 mills on all taxable property within the State is allowed by Section 4 as a source of interest and repayment for the bonds. This amount of tax however is limited by Statute to 0.25 mill.

ARTICLE XI-D

This Article establishes a debt limit of 1.5% TCV of all taxable property in the State to provide primarily for the development of hydroelectric power.

ARTICLE XI-E

This Article establishes a maximum debt limit of 3/16% TCV of all taxable property in the State to provide for the reforestation of land which the State currently owns and that which it may acquire for the purpose of reforestation. Funds generated from the reforested lands must be used to repay any outstanding debt issued under this provision and property taxes are also authorized to assist in repaying this debt. A debt limit of \$750,000/year is currently set by statute.

ARTICLE XI-F(1)

Here the constitution provides a debt limit of 3/4 of 1% TCV of all taxable property in the State for higher education building projects. These projects must be wholly self-supporting and self-liquidating from revenues, gifts, grants or building fees. If the projects do not provide enough funds to repay the debt and the interest on the debt, property taxes are allowed.

ARTICLE XI-G

In addition to the debt provisions of Article XI-F(1) this article allows a debt limit of up to 3/4 of 1% TCV for higher education projects (including those of community colleges). Unlike Article XI-F(1), however, these projects cannot be totally self-supporting. Property taxes are allowed to repay this debt and its interest. In addition, any funds spent under this provision must be matched by the legislature from the General Fund.

ARTICLE XI-H

Funds for pollution abatement projects of State and local government agencies may be borrowed under this section, up to 1% TCV of all taxable property in this State. Facilities acquired under this program are required to "conservatively appear" to be at least 70% self-supporting and self-liquidating from revenues, gifts, grants from the Federal Government, user charges, assessments and other fees. Property taxes are provided as a source of additional revenue to support these bonds.

ARTICLE XI-I(1)

Funds for loans to construct water development projects for irrigation and drainage may be borrowed up to 1-1/2% TCV of all the property within the State. Property taxes may be levied to repay this debt if revenues are insufficient.

ARTICLE XI-1(2)

Authorizes funds for additional financing for multifamily housing for elderly and disabled persons. Debt outstanding for this purpose may not exceed 1/2 of 1% TCV of all taxable property in the State. Property taxes may be levied to repay this debt if revenues from loan repayments are insufficient.

ARTICLE XI-J

Authorizes borrowing to provide funds for loans for small scale local energy projects, up to 1/2 of 1% TCV of all taxable property in the State. Property taxes may be levied to repay this debt if revenues from loan repayments are insufficient.

APPROVED BY:

Dave Fohnmayer
ATTORNEY GENERAL, State of Oregon

THE STATE'S ECONOMY

The following information on the state's economy, obtained from sources indicated, may be relevant in evaluating the economic and financial condition and future prospects of the state. The data do not present all factors which may relate to the state's economic and financial affairs and may require economic analysis in order to determine their importance to the state. The data may be subject to differing interpretations depending on the economist or financial analyst consulted.

An Overview

The decade of 1970-1980 was one of sound growth and increasing diversification in the Oregon economy. Most significant was the continuing trend in manufacturing employment away from the cyclical wood products industry and toward high technology enterprises.

Manufacturing employment in the wood products industry has declined from nearly 60% of the state's total in 1950 to 33.2% in 1984. Over the same period the high technology sector of the economy has grown from about 5,000 employees to 44,000 employees. The latter figure represented about 22.2% of manufacturing employment in 1984, compared with 13.9% in 1973. The shrinking size of lumber employment reflects, in part, an eroding market due to increased competition from the Southern U.S. This decline is somewhat offset by the emergence of high-technology industries which are three of the state's six largest employers.

A diverse agricultural base contributes to economic diversity. A mild climate, varied topography and rich soil support the more than 84 commodities which reported sales of \$1 million or more in 1984. Much of this agricultural activity occurs in the Willamette River Valley in the western portion of the state. This valley also contains most of the state's population and much of the manufacturing activity.

Population and per capita income in Oregon have increased at rates significantly above national averages in the last decade. In the late 1970's Oregon's population grew at a rate of three to four times the national average. However, 1981 marked a reversal of this trend as the state registered an increase of only .78% over 1980 while the nation's population grew by 1.24%. While the state's population decreased in 1982 and 1983, a shift from the 1.5 to 5% annual growth experienced since 1972, population rebounded to 1981's peaks in 1984.

Portland, located at the confluence of the Columbia and Willamette Rivers, is Oregon's largest city and the hub of economic activity. The greater Portland area is one of the most diversified manufacturing centers on the West Coast. It is also the home of the Port of Portland, a significant seaport for trade between the western United States and the Pacific Rim nations. The Port continues to move ahead with its aggressive program of industrial development.

Outside the Willamette Valley, those areas not devoted primarily to agriculture continue to rely somewhat heavily on the wood products industry. This industry's sensitivity to economic fluctuations persists and has resulted in fluctuating levels of employment in rural counties. However, the pulp and paper sector of the wood products industry has demonstrated relative strength in recessionary periods. The housing and construction industries were fairly hard hit by downturns in national economic activity experienced in the early 1980s but have grown over the last year. This increased home building and construction across the nation, along with rebuilding of depleted inventories caused a steady improvement in wood products employment in recent months.

Summary of Economic Trends

Oregon's economy grew slowly in the two decades immediately following World War II. In the mid-1960's, however, the state experienced rapid growth as population increased and economic diversification continued. Most impressive during this period was the improvement in economic indices vis-a-vis national figures.

During the period from 1964 to 1974, the real value of goods and services produced in the state increased at an annual rate of 4.5%, compared to a 3.1% average annual expansion from 1950 to 1963. During the 1964-1974 period, Oregon outpaced the mean annual real growth attained by the national economy as a whole. Further, the period from 1970 to 1980 saw an annual real growth rate in Oregon of 4.79% compared to a 3.17% national rate.

With this growth, relative to the United States economy, came corresponding advances in real personal income and employment. This attracted increasing numbers of new residents from other states. From 1970 to 1980, Oregon's population grew 26.5% while the national population experienced growth of 11.1%. About two-thirds of the increase in Oregon was due to net migration.

The decade from 1970 to 1980 accelerated growth in the state. Per capita income increased from 94.1% of the national average in 1970 to 100% from 1976-1979, but dropped to 93.5% in 1983. As noted previously, the period from 1970-80 saw a continuation of the trend toward increasing economic diversity as high technology industries (electrical equipment and supplies, machinery, and instruments) registered rapid employment gains and wood products employment grew slowly through 1979.

Unemployment as a percent of labor force continued to be above the national average in the last decade. However, Oregon's average employment growth outpaced labor force growth, whereas nationally labor force growth exceeded employment growth. Between 1975 and 1984 Oregon's total nonagricultural employment increased 19.9% while population increased 15.7%. In 1984, both population and the numbers of persons employed increased slightly.

Oregon remains slightly more sensitive to economic cycles than the national average due to the forest products component of its economy. Although recessionary periods continued to be somewhat more pronounced in Oregon than in the nation as a whole, the state's economy generally outperformed the national economy in the last decade. Until 1981, gross product, population and employment grew at a rate about double that of the United States, while unemployment and inflation were generally above national averages.

The high interest rates experienced in the last two years have had a significant impact on certain sectors of the Oregon economy. The recession-sensitive wood products, housing and construction industries were particularly hard hit. Greatest impact was experienced in the rural counties of eastern and southern Oregon which depend on one or a combination of these industries. In urban areas generally, and Portland in particular, the diverse economic base has provided a measure of insulation from the impacts of the recession. While economic activity has slowed in those areas, unemployment remains below the national average.

Tourism has been strong throughout the 1980's, due in part to the plentiful supplies of relatively low-cost automobile fuel. In the immediate future Oregon's economy looks encouraging due to a combination of lower interest rates and signs of recovery in the U.S. housing industry. Depleted inventories have also contributed to renewed activity in Oregon's lumber industry. The state has made a commitment to greater diversification of the economy, and considerable strides have been made toward this end in recent years. High technology industry growth has continued to expand, and the decline in the relative importance of wood products is expected to continue. The state anticipates even greater foreign trade in the considerable markets of the Far East and other Pacific Rim nations.

Economic Diversification

Oregon has been successful in the past decade in attracting new industries and encouraging expansion of high technology employment and commerce. The trend in the past ten years has been toward less dependence on Oregon's primary industry, forest products.

Lumber and wood products have declined in the proportion they hold of Oregon manufacturing employment from 38.8% in 1970 to 33.2% in 1983. This occurred during a period when Oregon's Gross State Product grew at an average real rate of 5.41% compared with a Gross National Product average real growth rate of only 3.35%.

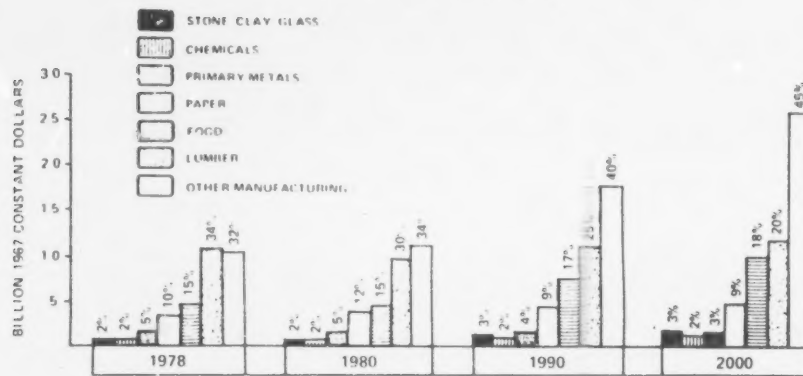
Value Added in Manufacturing

The Oregon Department of Energy, using historical growth patterns, forecasts labor productivity and value added in manufacturing through the year 2000 as part of its econometric model for determining the energy outlook for the state.

Using Standard Industrial Classification codes, lumber and paper manufacturing value added is expected to grow at an overall rate of 2.1% annually, compared with the historical rate of 9%. Electrical equipment and transportation equipment are expected to grow at an overall rate of 9%, compared with the historical rate of 21.7%. Exhibit 2 presents a comparison of the relative contributions of the various industries, historically and projected over the forecast period.

EXHIBIT 2

REAL MANUFACTURING VALUE ADDED IN OREGON: ACTUAL AND PROJECTED



Source: State of Oregon, Department of Energy, Seventh Annual Report, January, 1983

Gross State Product

For the year 1982, Oregon's Gross State Product (GSP), calculated in 1972 constant dollars, was \$16.6 billion, representing an increase of 23.4% over the 1973 level. The state's growth in GSP over the period exceeded the growth in national Gross Domestic Product (GDP). In current dollars, the average annual increase of State GDP was 9.2% for the period, the Gross National Product increased 9.8%, and the state's Gross State Product increased 231%.

Exhibit 3 shows the distribution of GSP by major Standard Industrial Classification (SIC) from 1974 to 1983. The sectors showing rapid growth in GSP share in this period were and instruments and machinery. These sectors contributed 3.2% to GSP in 1974 and 4.9% in 1983. Nonmanufacturing activity remained steady at 57.5% of GSP over the period. Government modestly declined from 12.9% of GSP in 1974 to 11.9% in 1983.

EXHIBIT 3

OREGON GROSS STATE PRODUCT BY INDUSTRY, 1974-83
(In Millions of 1972 Constant Dollars)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983*
Gross State Product(1)	\$12,976.6	\$12,878.6	\$14,408.4	\$15,196.0	\$16,395.0	\$17,001.0	\$16,750.0	\$16,544.5	\$15,526.8	\$15,997.6
Farm	490.9	443.1	456.8	369.3	422.6	467.3	642.8	562.1	570.2	646.7
Manufacturing	3,340.1	3,079.4	3,313.8	3,648.4	3,792.9	4,141.4	3,859.1	3,699.7	3,345.7	3,574.3
Nondurable Goods	843.6	802.6	865.0	920.8	924.3	992.8	980.5	984.6	944.8	965.6
Food Processing	381.3	374.9	391.7	398.7	401.7	432.2	440.9	438.1	445.8	438.5
Textile Mills	22.7	21.0	23.5	26.4	26.9	28.0	26.4	24.6	25.2	24.6
Apparel	29.0	30.3	31.6	33.5	34.6	34.4	33.5	31.3	29.9	31.1
Paper & Allied	217.6	189.5	215.0	232.9	212.2	241.5	237.5	239.5	227.6	241.4
Printing	100.5	101.5	106.7	114.9	121.2	128.6	130.8	137.0	132.5	138.2
Chemicals	48.0	47.3	53.6	53.1	54.8	56.1	60.9	44.6	37.4	43.6
Petrol & Related	21.3	14.3	15.8	15.8	18.9	20.1	16.7	14.8	(D)	(D)
Rubber & Plastics	21.1	21.8	25.0	30.8	35.4	36.7	35.5	37.9	34.7	40.1
Leather	2.1	2.0	2.9	3.0	3.2	3.3	3.1	3.2	(D)	(D)
Durable Goods	2,496.5	2,276.8	2,384.2	2,656.9	2,973.9	3,060.7	2,790.3	2,642.4	2,334.5	2,555.4
Lumber & Wood	1,426.8	1,307.8	1,481.2	1,540.7	1,560.4	1,560.7	1,429.3	1,215.5	1,112.2	1,278.6
Furniture	34.7	36.1	33.8	36.7	40.2	37.7	32.4	31.7	(D)	(D)
Stone, Clay & Glass	59.3	55.1	62.6	62.7	73.2	80.2	80.8	66.1	54.6	55.2
Primary Metals	177.4	150.3	150.2	163.5	184.8	200.6	199.7	191.3	138.4	148.4
Fabricated Metals	143.3	131.8	147.9	171.0	196.7	209.5	200.2	175.8	154.1	167.2
Machinery	205.8	188.5	201.4	240.8	272.0	309.0	321.5	345.1	320.9	309.5
Electrical Machinery	165.4	44.1	51.3	64.4	90.2	134.8	172.6	181.9	189.0	210.6
Instruments	44.4	175.2	194.8	245.4	281.3	299.5	301.3	297.1	307.1	274.5
Transportation Equip.	215.1	162.1	194.3	200.7	244.9	245.9	195.7	175.2	151.4	(D)
Motor Veh. & Equip.	101.0	69.1	91.9	117.8	140.5	146.6	102.1	93.6	80.0	111.2
Miscellaneous Manuf.	24.3	25.8	27.0	29.4	30.2	29.2	27.6	36.8	33.8	33.4
Nonmanufacturing	7,469.1	7,604.1	8,260.6	9,142.2	9,909.7	10,398.4	10,185.1	9,770.9	8,753.4	9,162.2
Agricultural Services, etc.	71.8	61.8	71.1	72.7	96.3	111.8	102.6	91.7	87.3	90.9
Mining	45.1	38.2	27.8	32.6	44.1	41.3	36.3	30.7	23.0	24.4
Construction	586.4	549.1	641.5	727.2	813.1	832.3	693.9	534.9	421.3	402.7
Transportation	598.4	554.0	600.3	637.7	674.7	689.3	640.3	591.6	524.6	545.8
Communications	331.5	361.8	394.0	435.9	495.6	544.9	588.5	605.3	587.7	601.0
Utilities	295.2	315.6	324.6	342.3	357.6	378.2	399.6	411.8	377.5	370.1
Wholesale Trade	1,032.0	1,047.8	1,098.2	1,187.7	1,320.8	1,362.7	1,318.8	1,311.7	1,211.3	1,286.0
Retail Trade	1,416.6	1,482.8	1,620.9	1,748.8	1,866.7	1,925.9	1,875.9	1,843.3	1,716.7	1,816.3
Fin. Ins. & Real Estate	1,688.4	1,742.4	1,917.2	2,270.1	2,423.8	2,599.4	2,560.5	2,367.1	2,166.2	2,095.1
Services	1,403.7	1,450.6	1,565.0	1,687.2	1,817.0	1,912.6	1,968.7	1,982.8	1,637.8	1,929.9
Government	1,676.5	1,752.0	1,827.4	1,863.1	1,935.0	1,993.7	2,008.5	2,008.4	1,939.3	1,903.8

(1) Industrial Classification is according to the 1967 Standard Industrial Classification (S.I.C.) Manual for years through 1974 and according to the 1972 Standard Industrial Classification (S.I.C.) Manual for 1975-1983.

D - Not shown to avoid disclosure of confidential information

Source: Oregon Department of Economic Development, Business Information Division

Employment and Unemployment

Nonagricultural Employment Trends

Total nonagricultural wage and salary employment in Oregon rose from 837,400 in 1975 to 1,004,000 in 1984, an increase of 19.9%. By major industry sector, nonmanufacturing increased more rapidly than manufacturing during this period. Nonmanufacturing employment increased 22.9% while manufacturing employment decreased by 9.1%. Although peak 1979 levels were not achieved, 1984 saw a return to prerecession employment levels of greater than 1 million persons. The discussion of employment trends by sector is based on data compiled by Standard Industrial Classification (SIC) codes. Exhibit 4 presents Oregon nonagricultural wage and salary employment since 1975. Exhibit 5 compares Oregon and U. S. nonagricultural employment in 1984.

EXHIBIT 4

OREGON NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT(1) CALENDAR YEAR AVERAGES 1972 STANDARD INDUSTRIAL CLASSIFICATION

	(Numbers in Thousands)(2) (Not seasonally adjusted)									
	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
Total All Industries	837.4	878.5	936.9	1,009.4	1,056.2	1,044.6	1,016.4	961.5	966.7	1,004.0
Manufacturing	182.1	193.7	206.1	219.1	228.5	215.1	202.7	186.0	188.8	198.7
Durable Goods	132.8	142.4	152.1	165.1	171.8	159.6	148.4	132.8	135.1	145.7
Lumber and Wood Products	69.6	76.4	79.4	81.4	81.2	69.5	63.8	55.6	60.6	66.0
Logging and Sawmills	36.6	39.7	40.8	41.4	41.9	36.9	33.0	29.1	32.8	35.2
Veneer and Plywood	21.8	23.7	24.3	24.5	24.3	20.5	19.0	16.6	17.7	17.2
Millwork and Structural Wood	5.6	6.7	7.3	8.0	7.7	6.2	6.1	5.3	7.2	8.2
Mobile Homes	1.8	2.1	2.6	3.0	3.0	2.1	1.9	1.3	1.5	1.6
Other Wood Products	3.8	4.2	4.4	4.5	4.3	3.8	3.8	3.3	3.5	3.8
Furniture and Fixtures	3.0	2.9	3.1	3.2	2.9	2.6	2.5	2.2	2.4	2.6
Stone, Clay and Glass Products	3.3	3.6	3.8	4.0	4.4	4.5	3.9	3.4	3.0	2.6
Primary Metals	9.5	9.3	9.7	10.4	11.1	11.0	10.2	8.1	7.5	9.1
Fabricated Metals	9.7	10.3	11.7	13.2	13.7	12.7	11.2	9.8	9.4	10.3
Machinery	11.6	11.7	13.5	15.4	17.3	17.7	18.0	16.5	15.2	15.7
Electrical Equipment and Supplies	3.6	3.9	4.6	6.1	8.6	9.8	10.0	10.1	10.7	13.9
Transportation Equipment	8.4	9.5	9.9	12.0	12.2	10.3	8.9	7.9	7.1	8.3
Instruments and Related Products	12.1	12.6	14.2	17.1	18.2	19.3	17.4	16.8	14.8	14.4
Miscellaneous Manufacturing	2.0	2.2	2.2	2.3	2.2	2.2	2.5	2.4	2.3	2.7
Nondurable Goods	49.3	51.3	54.0	54.0	56.7	55.5	54.3	53.2	53.8	53.1
Food and Kindred Products	22.4	22.9	24.1	24.4	25.2	24.3	23.8	23.7	24.2	22.8
Textile Mill Products	2.1	2.2	2.1	2.2	2.2	2.0	1.8	1.9	1.7	1.7
Apparel	3.2	3.5	3.4	3.4	3.5	3.2	2.8	2.7	2.6	2.6
Paper and Allied Products	9.6	9.8	10.4	8.8	9.8	10.4	10.3	9.6	9.3	9.0
Printing and Publishing	7.7	8.2	8.8	9.5	10.0	10.0	10.2	10.1	10.4	10.9
Chemicals and Allied Products	2.1	2.2	2.3	2.4	2.4	2.3	2.2	2.1	2.2	2.1
Petroleum Refining	0.5	0.5	0.5	0.6	0.7	0.6	0.5	0.5	0.5	0.5
Rubber and Plastic Products	1.5	1.8	2.1	2.4	2.6	2.4	2.4	2.3	2.5	2.8
Leather Products	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.5
Nonmanufacturing	655.3	684.8	730.8	790.3	827.7	829.5	815.7	775.5	775.1	805.3
Mining and Quarrying	1.7	1.5	1.8	2.2	2.4	2.3	2.2	1.8	1.6	1.6
Contract Construction	35.5	36.6	42.6	48.8	53.0	46.5	37.5	28.9	27.0	26.9
Transportation, Comm. and Utilities	50.2	51.2	53.7	56.9	60.0	60.5	59.3	56.7	55.4	56.2
Transportation	30.8	31.6	32.9	34.6	36.0	35.4	34.1	31.9	32.0	33.4
Communications	12.5	12.5	13.3	14.5	15.8	16.3	16.1	15.9	14.8	14.1
Utilities	6.9	7.1	7.5	7.8	8.2	8.8	9.1	8.9	8.7	8.6
Trade	199.4	210.9	225.7	245.6	256.6	255.6	253.5	238.8	240.6	252.4
Wholesale	53.1	55.0	58.5	63.2	67.0	67.4	67.0	62.7	62.6	64.2
Retail	146.3	155.9	167.2	182.4	189.8	188.2	186.5	176.1	180.0	188.2
Finance, Insurance, and Real Estate	48.9	51.9	57.6	64.2	69.1	70.0	68.5	65.1	64.5	65.7
Services	142.7	151.1	162.6	175.5	185.7	191.4	192.1	188.6	194.6	205.0
Government	177.1	181.6	186.8	197.1	200.7	203.2	202.6	195.6	192.3	194.6
Federal	26.9	27.4	27.7	29.1	29.9	30.8	29.5	29.1	29.0	29.1
State	49.9	51.0	52.1	53.6	54.4	55.3	53.1	50.9	51.7	54.5
Local	100.3	103.2	107.0	114.4	116.4	117.1	120.0	115.6	111.5	110.9

(1) Includes full and part-time nonfarm wage and salary workers. Job totals are on a place of work basis and are not adjusted for multiple job holders. Data are thus not directly comparable to total employment data given elsewhere in this publication.

(2) Excludes 100 or more workers involved in labor management disputes.

Source: State of Oregon, Department of Human Resources, Employment Division, Research and Statistics.

EXHIBIT 5

COMPARATIVE NONAGRICULTURAL EMPLOYMENT, 1984

	Oregon			U.S.		
	Employment (in thousands)	Percent Total Manufacturing Employment	Percent of Total Nonagricultural Employment	Employment (in thousands)	Percent of Total Manufacturing Employment	Percent of Total Nonagricultural Employment
Manufacturing	196.7	100.0%	19.8%	19,589	100.0%	20.8%
Durable	145.7	73.3	14.5	11,635	59.4	12.4
Lumber and Wood	66.0	33.2	6.6	710	3.6	0.8
Furniture and Fixtures	2.6	1.3	0.3	484	2.5	0.5
Stone, Clay and Glass	2.6	1.3	0.3	605	3.1	0.6
Metals	19.4	9.8	1.9	2,350	12.0	2.5
High Tech- nology(1)	44.0	22.1	4.4	5,854	29.9	6.2
Transportation Equipment	8.3	4.2	0.8	1,927	9.8	2.0
Miscellaneous	2.7	1.4	0.3	386	2.0	0.4
Non-Durable	53.1	26.7	5.3	7,954	40.6	8.4
Food	22.8	11.5	2.3	1,643	8.4	1.7
Textiles and Apparel	4.5	2.3	0.5	1,955	10.0	2.1
Paper	9.0	4.5	0.9	682	3.5	0.7
Printing and Publishing	10.9	5.5	1.0	1,361	6.9	1.4
Chemicals	2.1	1.0	0.2	1,060	5.4	1.1
Miscellaneous(2)	3.8	1.9	0.4	1,186	6.1	1.3
Contract Construction	29.9	—	3.0	4,310	—	4.6
Transportation	—	—	—	—	—	—
Communication and Public Utilities	56.2	—	5.6	5,169	—	5.5
Wholesale and Retail Trade	252.4	—	25.2	21,829	—	23.2
Finance, Insurance and Real Estate	65.7	—	6.6	5,665	—	6.0
Services	206.6	—	20.7	20,657	—	21.9
Government	194.6	—	19.5	15,966	—	17.0
Federal	29.1	—	3.0	2,782	—	3.0
State and Local	165.4	—	17.0	13,184	—	14.0
TOTAL	1,064.0	—	—	94,138	—	—

(1) High Technology includes SIC codes Machinery, Electrical Equipment and Supplies and Instruments

(2) Miscellaneous includes SIC codes Petroleum Refining, Rubber and Leather

Source: State of Oregon, Department of Human Resources, Employment Division, Research and Statistics

Manufacturing Employment Trends

The major trend which appeared in manufacturing employment in Oregon from 1975 to 1984 was the increasing diversification of the economy and decreasing dependence on lumber and wood products as the primary industry. Since 1950, lumber and wood manufacturing employment's share of total manufacturing employment has dropped from about 60% to about 33.2%.

The manufacturing of durable goods has consistently comprised a larger segment of manufacturing employment than nondurable goods. In the period from 1975 to 1984, durable goods have remained at 71-74% of total manufacturing employment, with nondurable goods staying between 26-29% of total manufacturing employment. Recessionary influences reduced manufacturing employment from 1979 peaks in the first years of this decade; however, showed a 6.9% gain in manufacturing employment over 1982 levels.

The area of manufacturing employment which has shown the greatest increase has been high technology industries including machinery, electrical equipment, instruments and electronics. Since 1954 when the industries entered Oregon, growth has been fairly steady, increasing from 12.2% of total manufacturing employment in 1970, to 23.3% in 1982 and declining slightly to 22.1% in 1984.

During 1984, Oregon's economy displayed some exceptionally strong gains. January's wage and salary employment index, for example, a measure that usually moves only a few tenths at a time, shot up nearly two full points. The February's seasonally adjusted unemployment rate of 8.8% of the labor force, was the first of our months at that level. Employment in the nonmanufacturing sector stood at 87% of the previous peak - the best since 1981. Another milestone was achieved during the year: for the first time since 1981, the number of Oregonians employed exceeded one million. The 1984 annual unemployment rate of 9.4% was the lowest in four years.

Exhibit 6 lists manufacturing employers with 1,000 or more employees. About one-third of the firms are in the forest products industry.

EXHIBIT 6

STATE OF OREGON MANUFACTURING EMPLOYERS WITH 1,000 OR MORE EMPLOYEES

<u>Firm Name</u>	<u>Major Product</u>	<u>Employment (1)</u>
Tektronix, Inc.	Electronic Instruments and Equipment	18,000
Weyerhaeuser Co., Inc.	Lumber and Wood Products	6,825
Roseburg Lumber Co.	Lumber and Wood Products	4,815
Intel Corp.	Semiconductor Integrated Circuits	4,000
Freightliner Corp.	Transportation Equipment	3,782
Boise Cascade Corp.	Lumber, Wood and Paper Products	3,682
Crown-Zellerbach Corp.	Wood and Paper Products	3,067
Bohemia, Inc.	Lumber and Wood Products	2,720
Hewlett-Packard Corp.	Calculators and Computers	2,385
Georgia Pacific Corp.	Lumber, Wood and Paper Products	2,225
Willamette Industries	Lumber and Wood Products	2,130
Medford Corp.	Lumber and Wood Products	2,040
Stayton Canning Co. Co-op	Canned, Frozen Fruits/Vegetables	1,687
Jantzen, Inc.	Textile Products	1,675
Publisher's Paper Company	Wood Products and Paper	1,612
ESCO Corp.	Cast Construction Equipment	1,600
Precision Castparts Corp.	Investment Castings	1,600
White Stag Mfg. Co.	Women's Sportswear	1,500
Nike, Inc.	Administrative Unit for Sportshoe Manufacturer	1,450
Teledyne Wah Chang	Zirconium Castings	1,400
Ore-Ida Foods, Inc.	Frozen Foods	1,200
Floating Point Systems, Inc.	Computer Processing Units	1,100
Omark Industries Inc.	Sawchain and Fabricated Metal Products	1,098
Boeing Inc.	Airframe Structures	1,000

(1) Note: Employment figures were reported by the firms, and represent average annual employment during 1983.

Source: Directory of Oregon Manufacturers 1985-86 (unpublished), Oregon Economic Development Department.

Durable Goods Lumber and Wood Products

Forest products, still Oregon's major manufacturing industry, is affected by timber supply and economic conditions affecting the demand for housing nationwide.

Employment in lumber and wood products between 1975 and 1984 showed short-term cyclical fluctuations due primarily to national economic trends rather than availability of timber. Cyclical trends tend to deemphasize the long-term decline that is expected in this sector. The nonagricultural wage and salary employment for lumber and wood products was 69,600 in 1975, peaked at 83,800 in June 1979 and bottomed out at 55,600 in 1982. For 1984, employment in the wood products industry rose 6,400 to 66,000, an increase of 18.7% over 1982. Obstacles still remain to full recovery in this industry - primarily high interest rates and transportation costs to southern and eastern markets.

The state estimates that 49% of Oregon is forested and that the value of manufacturing from all forest products in 1981 was over \$3.49 billion, down from \$5.3 billion in 1979 and \$4.5 billion in 1980. The state has over 24.2 million acres of commercial forest land and has ranked first among the states in sales of all forest products since 1938.

Primary and Fabricated Metals

Employment in primary and fabricated metals stood at 19,400 in 1984, only 1% above its 1975 levels and down from the 1979 peak of 24,800. Growth in this industry is related to increasing domestic and foreign needs for metal and metal products. Metals industry production requires substantial amounts of energy and will continue to be affected by energy costs and supply.

High Technology

High technology has been the fastest growing industry group in the manufacturing sector. The strong emergence of high technology industries have broadened the state's industrial base, which in turn strengthened Oregon's resistance to the national economic downturn. Employment in electrical equipment and supplies increased from 3,600 in 1975 to 13,900 in 1984, an increase of 386%. Instruments and related products employment increased by 19% from 12,600 in 1975 to 14,400 in 1984, and employment in machinery manufacturing increased from 11,600 to 15,000 an increase of 35% in the same time period. High technology employment showed major gains from 1972 to 1980, when employment gains peaked out. In recent years, these industries have had employment declines; however, 1984 showed a reversal of the trend with increases in these sectors. Oregon's largest employer, Tektronix, Inc., is in this industry, primarily manufacturing electrical measuring instruments and test equipment. This industry expects continued growth, but at slower rates than in the past decade. The Oregon environment is well-suited to this type of work, which requires a dust-free atmosphere.

Transportation Equipment

About one-fourth of the employees involved in manufacturing transportation equipment in Oregon work for mobile home and travel trailer companies. Other significant areas of employment are builders of truck and bus bodies, railroad cars and aircraft parts. After several years of decline during the recession, this sector has been restored to 1975 employment levels - a 17% increase over last year. Energy supply and demand have affected this industry as use of mass transit has stabilized and travel trailers become less practical. Employment in the manufacturing of bus and truck chassis and railroad cars may rise as employment in travel trailers decreases.

Nondurable Goods

Food and Kindred Products

Food and kindred products employment increased from 22,400 in 1975 to a high of 25,200 in 1979, an increase of 7.7%. Since 1979, employment has fluctuated up and down, setting at 22,800 in 1984. Food products as a proportion of total manufacturing employment was about 11.5% in 1984.

Although few job openings are expected on an average annual basis, significant numbers of short-term openings (i.e., less than three months) are available during the year because of the seasonal increase in employment brought about by agricultural harvesting activities.

Paper and Allied Products

During 1975 Oregon employed 9,600 wage and salary workers in the paper and allied products industry. By 1980 employment had increased by 6.1% to 10,400. Employment dropped to 9,000 in 1984. Inventory controls plus a glut of newsprint has kept employment needs suppressed.

Favored by growing domestic markets, the long-term outlook for the paper industry nationally is promising. The firms in Oregon producing paper products have demonstrated less sensitivity to cyclical economic trends than the lumber and plywood companies. Demand for paper and paper products remains fairly strong in both the national and international markets.

Printing and Publishing

Employment needs in the publishing and printing industry group increased between 1975 and 1984 from 7,700 to 10,900, a gain of 41.6%. This 1984 total exceeded the previous industry high of 10,400 reached in 1983.

Nonmanufacturing Employment Trends

Nonmanufacturing contains a wide variety of nongoods producing industries which accounted for 78.3% of nonagricultural wage and salary employment in Oregon in 1975, and rose to 80.2% in 1984. The number employed in this sector increased from 655,300 in 1975 to 829,500 in 1980 and in 1984 stood at 805,300. The most important nonmanufacturing employment areas are construction; transportation, communication, and utilities; wholesale and retail trade; finance; services; and government.

Exhibit 7 charts the growth of nonmanufacturing and trade employment between 1975 and 1984. Exhibit 8 compares Oregon and U.S. nonagricultural wage and salary employment for the period 1975 to 1984.

EXHIBIT 7

STATE OF OREGON
NONMANUFACTURING EMPLOYMENT TRENDS
1975-1984

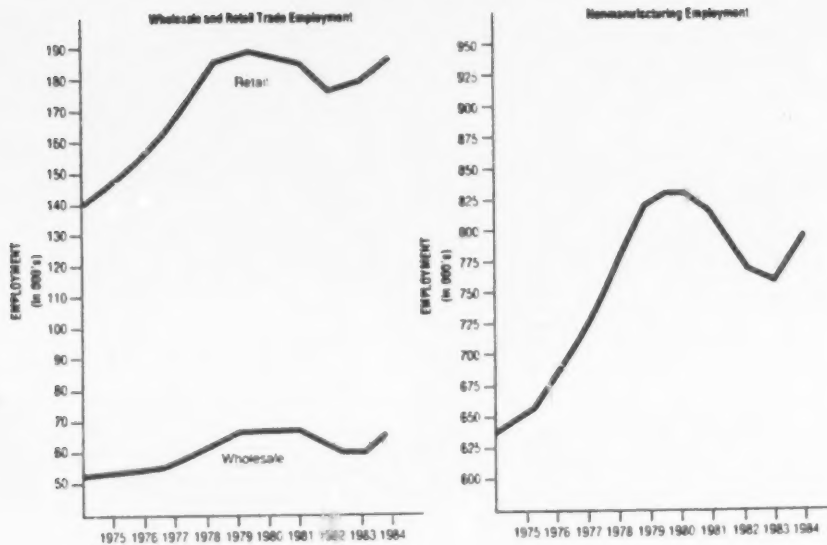


EXHIBIT 8

COMPARATIVE INDEXED NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

Year	Oregon Data (000)		National Data (000)	
	Annual Average	Index (1)	Annual Average	Index (1)
1973	816.2	87.1	76,790	93.1
1974	837.9	89.4	78,265	94.9
1975	837.4	89.3	76,945	93.3
1976	878.5	93.8	79,382	96.3
1977	936.9	100.0	82,471	100.0
1978	1,009.4	107.7	86,697	105.1
1979	1,056.2	112.7	89,823	108.9
1980	1,044.6	111.5	90,406	109.6
1981	1,018.4	108.8	91,156	110.5
1982	961.5	102.6	89,596	108.6
1983	966.7	103.2	89,986	109.1
1984	1,004.0	107.2	94,138*	114.1*

(1) The index is based on the 1977 annual average. Using 100 as the base, the index is determined by dividing the annual average for the current period by the annual average for 1977.

* Preliminary Data

Source: Oregon Department of Human Resources, Employment Division

Contract Construction

Long-range employment requirements in contract construction are difficult to project because of the types of variables which affect construction activity. Examples of these variables are the national economy, strike activity, and housing demand.

Employment in this sector grew from 35,300 in 1975 to a high of 53,100 in 1979. Hit hard by recession, contract construction industries reported employment of only 29,900 in 1984. January 1985 showed that home construction rose about 14% nationwide. This represented 2.8% of all nonmanufacturing employment. Employment in the construction industry increased slightly, but continued to sag in 1984 due to high interest rates, low used housing prices, consumer uncertainties, and slower than normal permit activity.

Transportation, Communications and Public Utilities

Employment in the transportation, communication, and public utilities group rose from 50,200 to 56,200 in the period from 1975 to 1984, an increase of 12%. In 1984 this group comprised 5.6% of nonmanufacturing employment.

Wholesale and Retail Trade

The trade industries grew by 26.6% between 1975 and 1984. Employment rose to 252,400 in 1984, up from 199,400 in 1973. Employment increased in 1984 from 242,600 in 1983, a modest 4.9%. During this decade, employment in retail trade rose at a more rapid rate than wholesale trade (32.2% to 20.2%). All trade represented 30.4% of nonmanufacturing employment in 1984 and 25.2% of all nonagricultural wage and salary employment. Retail food stores employment has been strong in the last four years, increasing 14.7% from 24,700 in 1979 to 28,300 in 1983.

Finance, Insurance and Real Estate

Growth in this area was significant between 1972 and 1980. Industry employment peaked at 70,000 in 1980 before falling to 65,700 in 1984. The increase in employment in this sector between 1975 and 1984 was 34.4%. The post-1980 decline can be attributed, in part, to closure of recession weakened real estate offices and mergers of financial institutions.

Services

Service employment grew from 140,700 in 1975 to 205,000 in 1984, an increase of 43.7%. This area comprises 20.7% of nonmanufacturing employment.

Growth in employment in this industry group results primarily from increases in population, disposable income and a growing demand for personal, business, medical and protective services. Gains have also been made in private education and amusements. Employment in health services has shown a 9.9% increase from 1979 employment of 60,600 to 1983 employment of 66,600.

Government

Most government employment in the state is with state and local governments. The federal government employed 29,100 persons in Oregon in 1984, an increase of 8.1% over 1975 levels, but below peak employment of 30,800 in 1980.

State employment also reached its highest level in 1980 at 55,300 but declined to 54,500 in 1984. The state's employment change over the 1975-1984 period was +9.2%. Greatest growth occurred at the local level where employment rose from 100,300 in 1975 to 110,900 in 1984 - an increase of 10.6%. The 1979 Legislative Assembly enacted a law limiting state government employment to not more than 1.6% of the state's official population. However, certain employee groups are exempt from this limitation.

Exhibit 9 compares 1984 manufacturing employment in Oregon to the United States by type of industry.

EXHIBIT 9
COMPARATIVE MANUFACTURING EMPLOYMENT, 1984

Manufacturing by Industry	Oregon		U.S.	
	Employment (In thousands)	Percent of Total Manufacturing	Employment (In thousands)	Percent of Total Manufacturing
Lumber and Wood	66.0	33.2%	710	3.6%
Furniture and Fixtures	2.6	1.3	484	2.5
Stone, Clay and Glass	2.6	1.3	605	3.1
Primary Metals	9.1	4.6	875	4.5
Fabricated Metals	10.3	5.2	1,476	7.5
Machinery	15.7	7.9	2,214	11.3
Electrical Equipment and Supplies	13.9	7.0	2,234	11.4
Transportation Equipment	8.3	4.2	1,927	9.8
Instruments	14.4	7.2	723	3.7
Miscellaneous Manufacturing	2.7	1.4	388	2.0
Food	22.8	11.5	1,643	8.4
Textiles	1.7	0.9	753	3.8
Apparel	2.8	1.4	1,202	6.1
Paper	9.0	4.5	682	3.5
Printing and Publishing	10.9	5.5	1,361	6.9
Chemicals	2.1	1.1	1,060	5.4
Petroleum Refining	0.5	0.3	188	1.0
Rubber	2.8	1.4	796	4.0
Leather	0.5	0.3	202	1.0
	198.7	100.0%	19,589	100.0%

Source: State of Oregon, Department of Human Resources, Employment Division, Research and Statistics

Exhibit 10 summarizes employment and unemployment data as compared to the United States for 1970 through April of 1985.

EXHIBIT 10
**COMPARATIVE
UNEMPLOYMENT AND UNEMPLOYMENT RATES***
(Annual Averages, In Thousands)

Date	Civilian Labor Force		Unemployed		Unemployed Rate		Oregon Rate as % of U.S. Rate
	OR	U.S.	OR	U.S.	OR	U.S.	
1970	865	92,771	62	4,093	7.1%	4.9%	144.9%
1971	903	34,382	68	5,016	7.6	5.9	128.8
1972	959	87,034	66	4,882	6.8	5.6	121.4
1973	1,001	89,429	62	4,365	6.2	4.9	126.5
1974	1,105	91,949	76	5,156	7.5	5.6	133.9
1975	1,039	93,775	110	7,929	10.6	8.5	124.7
1976	1,068	96,158	102	7,406	9.6	7.7	124.7
1977	1,130	99,009	83	6,991	7.3	7.1	102.8
1978	1,196	102,251	72	6,202	6.0	6.1	98.4
1979	1,217	104,962	83	6,137	6.8	5.8	117.2
1980	1,271	106,940	105	7,637	8.3	7.1	115.5
1981	1,337	108,670	132	8,273	9.9	7.6	130.3
1982	1,324	110,204	153	10,678	11.5	9.7	118.6
1983	1,341	111,550	145	10,717	10.8	9.6	112.5
1984	1,335	113,544	125	8,538	9.4	7.5	125.3
January, 1985	1,326	113,475	138	9,131	9.2	7.4	124.3
February	1,321	113,592	151	8,902	10.4	7.3	142.5
March	1,322	114,394	147	8,625	10.4	7.3	142.5
April	1,319	114,325	140	8,150	10.2	7.3	139.7
May(1)	1,308	114,890	126	8,011	9.7	7.3	132.9

(1) Preliminary Data

* Monthly rates reflect seasonal adjustment

Source: State of Oregon, Department of Human Resources, Employment Division

Projections for Broad Occupational Groups

Total wage and salary employment growth is expected to create approximately 198,589 new jobs between 1982 and 1990. This represents a continuation of the overall economic expansion Oregon experienced during the previous decade.

Overall total wage and salary employment should increase 20.3% between 1982 and 1990. This will differ in the major occupational group levels. The fastest growing group for the same time interval is expected to be operative occupations increasing 26.2%. The slowest is expected to be farm workers, decreasing 6.8%. In 1990 white collar wage and salary workers should total approximately 610,241 and will account for about 51.4% of total wage and salary employment. Blue collar workers are expected to increase from about 301,954 in 1982 to 374,601 in 1990. At that time, blue collar workers are expected to represent about 32% of total wage and salary employment, up only 1% from about 31% in 1982. Service occupations comprise the third largest occupational group in Oregon. Employment in this group is expected to expand from 159,104 in 1982 to an estimated 190,875 in 1990 and will account for roughly 16.2% of all wage and salary employment.

Exhibit 11 projects occupational employment trends through 1990.

EXHIBIT 11

STATE OF OREGON OCCUPATIONAL EMPLOYMENT TRENDS, 1982-90 (Annual Averages)

Occupational Title	1982		Projected 1990		Change	
	Empl.	Pct.	Empl.	Pct.	1982-90	% Change
Professional and Technical	156,906	16.1%	182,971	15.6%	26,065	16.6%
Managers and Officers	81,944	8.4	99,021	8.4	17,077	20.8
Sales	93,730	7.5	89,206	7.6	15,476	20.9
Clerical	203,490	20.8	239,043	20.3	35,553	17.5
Craftworkers and Supervisors	101,715	10.4	127,955	10.9	26,240	25.8
Operatives	132,651	13.6	167,386	14.2	34,735	26.2
Services	159,104	16.3	190,875	16.2	31,771	20.0
Laborers, Excluding Farm	56,899	5.8	69,302	5.9	12,403	21.8
Farm Workers	10,689	1.1	9,958	0.9	-731	-6.8
TOTAL	977,128	100.0%	1,175,717	100.0%	198,589	20.3

Source: State of Oregon, Department of Human Resources, Employment Division, Research and Statistics

Economic Characteristics

Agriculture

Agriculture is usually considered to be Oregon's second leading industry, with gross farm sales of over \$1.77 billion in 1984. Oregon's highly diversified agricultural base reported 84 commodities with sales of \$1 million or more in 1984. Of this number, 29 reported gross sales of \$10 million or more. This diversity is facilitated by the state's varied topography, rich soil and moderate climate.

Oregon agriculture continues to follow the national trend of increasing capital intensity. Agricultural employment has been decreasing as constant dollar output has increased. Although every county in the state is involved in agricultural production, activity is concentrated in the fertile Willamette Valley. Recent agricultural expansion has been the result of more efficient methods and the increasing use of irrigation.

The top ten cash commodities for 1984 were: cattle and calves, \$300 million; wheat, \$226.5 million; dairy, \$185.4 million; nursery crops, \$98.6 million; potatoes, \$95.5 million; alfalfa hay, \$58.7 million; farm forest products, \$46.1 million; Christmas trees, \$39.9 million; eggs, \$37 million and dry onions, \$33.8 million. A description of farm cash receipts by general commodity group since 1978 is provided in Exhibit 12.

EXHIBIT 12

OREGON GROSS FARM SALES

Commodity	Value (Millions of dollars)							1984 % of Total Value
	1978	1979	1980	1981	1982	1983	1984	
ALL CROPS	\$812.5	\$906.3	\$1,102.6	\$1,136.9	\$1,076.5	\$1,151.5	\$1,142.0	64.4%
Grains	200.4	234.6	336.8	328.3	294.2	299.2	284.3	16.0
Hay and Silage	39.6	48.2	63.3	55.2	69.4	80.9	75.9	4.3
Grass and Legume Seeds	81.0	94.2	102.1	106.4	101.0	105.1	96.5	5.4
Field Crops	132.5	118.7	155.2	163.3	145.4	169.3	171.5	9.7
Tree Fruits and Nuts	91.4	105.8	98.7	96.5	98.2	89.5	89.9	5.1
Small Fruits and Berries	34.7	38.5	31.5	35.5	47.8	52.7	45.7	2.6
All Vegetable Crops	93.6	93.7	114.0	139.6	118.2	125.6	133.8	7.5
Specialty Products	139.3	172.8	201.1	212.2	202.2	229.0	244.3	13.8
ALL LIVESTOCK AND PRODUCTS	444.5	608.7	560.8	599.0	657.0	579.2	630.1	35.6
Cattle and Calves	230.0	360.0	290.0	295.0	354.3	275.0	300.0	16.9
Dairy Products	114.6	133.3	151.5	166.8	178.5	188.0	185.4	10.5
Eggs and Poultry	54.8	61.4	61.3	70.1	63.1	57.8	70.3	4.0
Miscellaneous Animals	45.1	54.0	58.0	66.1	61.1	58.4	74.3	4.2

Source: Oregon State University, Extension Economic Information Office.

Housing

The Oregon housing industry has typically mirrored that of the nation as a whole in that it is subject to cyclical downturns. The problems for Oregon's market in this past recession have been compounded by high interest rates, which have limited the bond issuances of the state's Department of Veterans' Affairs. In periods of more moderate interest rates, the DVA has been one of the state's most active mortgage lenders. The DVA's inability to market bonds at rates attractive to qualifying veteran borrowers has contributed to a negative situation in the state housing industry for the past two years. Conditions now appear favorable for a sustained housing recovery through the end of next year.

If the growth recorded by Oregon in 1984 is indicative of a long-term pattern of more moderate expansion, the housing industry will not be rebounding to the levels of activity experienced in the late 1970's. An improvement in interest rates as a result of a healthier economy sparked an increase in single-family permits in 1983 and the apparent exhaustion of pent-up demand. Permits for single-family dwellings fell by 9.9% in 1984. However, 1984 saw a 24% resurgence in multi-family permits, many of them for retirement home units.

Exhibit 13 summarizes the annual totals for building permit activity since 1973.

EXHIBIT 13

OREGON BUILDING PERMITS (1)

Year	Single-Family Dwellings	Percent Change	Multi-Family Dwellings	Percent Change
1973	13,153	- 7.5%	9,639	- 40.2%
1974	10,732	- 18.4	4,739	- 50.8
1975	14,527	+ 35.4	5,617	+ 18.5
1976	20,505	+ 41.2	10,687	+ 90.3
1977	25,986	+ 26.7	13,506	+ 26.4
1978	25,316	- 2.6	12,901	- 4.5
1979	17,426	- 31.2	10,162	- 21.2
1980	13,525	- 22.4	5,651	- 44.4
1981	8,016	- 40.7	4,102	- 27.4
1982	4,881	- 39.1	2,470	- 39.8
1983	6,759	38.5	1,634	- 33.8
1984	6,093	- 9.9	2,026	+ 24.0

Source: State of Oregon, Department of Commerce, Housing Division

(1) Effective in 1983, data reflect an adjustment to account for non-reported building activity. For 1983, this adjustment factor is approximately 2%.

Population

Oregon's July 1, 1984 population was determined to be 2,660,000 by Portland State University's Center for Population Research and Census, the state's official bureau for population data. Since 1960, the state's population has increased by over 50%. In 1984, the Center projected a likely population of 3,293,656 in the year 2000, an increase of about 25% over the twenty year period starting in 1980.

Based on percent change (25.9% from April 1, 1970 to April 1, 1980), Oregon ranked thirteenth among the states in rate of population growth. In 1977 and 1978, Oregon recorded population increases of more than three times the national average. In 1981 this trend was reversed as Oregon grew by only .78% compared to the national rate of .95%. From July 1, 1981 to July 1, 1983, the state's population dropped .97%, with a net outmigration of 64,589. July 1, 1984 population estimates show the state pulling itself back from this outmigration and growing by almost 1%.

There are four major urban population areas in Oregon. The City of Portland, located in Multnomah County, is the state's largest city and had a population of 371,500 as of July 1, 1984. The Oregon portion of the Portland Consolidated Metropolitan Statistical Area (CMSA), which is comprised of Clackamas, Multnomah, Washington, and Yamhill counties had a population of 1,125,800 at that time (not included in that figure is Clark County, Washington, which is a part of the Portland CMSA).

The second largest urban center is the Eugene metropolitan area located in Lane County at the southern end of the Willamette Valley. Eugene had a population of 105,400 as of July 1, 1984. The Eugene-Springfield MSA had a population of 268,500 on that date. Salem, the state's third largest city, had a population of 92,680 on July 1, 1984 (MSA: 255,000). Salem is situated in the heart of the Willamette Valley and serves as the State Capitol. In addition, the City of Medford, and Jackson County, were designated as a new MSA as a result of the 1980 Census. The population of the Medford MSA as of July 1, 1984 was 135,100.

As can be seen from this description of population distribution, most of the state's residents are located in the Willamette Valley. Approximately 70% of Oregon's population reside in this valley.

Exhibit 14 presents comparative population information for Oregon and the United States between 1940 and 1984.

EXHIBIT 14

**COMPARATIVE
POPULATION GROWTH
OREGON AND UNITED STATES, 1940-1984
(As of July 1)**

Year	Oregon	% Change	United States	% Change
1940	1,090,000	—	132,165,000	—
1950	1,521,000	39.54%	151,326,000	14.50%
1960	1,769,000	16.31	179,323,000	18.50
1970	2,091,500	18.23	203,984,000	13.75
1971	2,143,000	2.46	206,827,000	1.39
1972	2,183,300	1.88	209,284,000	1.19
1973	2,224,900	1.91	211,357,000	0.99
1974	2,266,000	1.85	211,389,000	0.02
1975	2,299,000	1.46	213,051,000	0.79
1976	2,341,800	1.86	214,680,000	0.77
1977	2,396,100	2.32	216,400,000	0.80
1978	2,521,850	5.25	218,228,000	0.85
1979	2,584,350	2.48	224,567,000	2.90
1980	2,639,915	2.15	227,738,000	1.14
1981	2,660,735	0.78	230,019,000	1.00
1982	2,656,185	-0.17	232,309,000	0.99
1983	2,635,000	-0.80	234,496,000	0.94
1984	2,660,000	0.95	236,634,000	0.91

Sources: 1940-1960 — State of Oregon, Department of Human Resources, Employment Division, Research and Statistics
1970-1984 — Center for Population Research, Portland State University (estimates are as of July 1 of year shown)

Personal Income

Per capita personal income as a percentage of the national average has risen steadily in the last decade from 94.1% in 1970 to 100.1% in 1979. The average increase in per capita income in Oregon for 1970 through 1979 was 9.87% compared with 9.12% for the United States. In recent years the rate of growth of per capita income in Oregon has slowed to slightly less than the national average.

The Oregon Department of Energy forecasts an average annual real rate of growth of total personal income of 2.5% through the year 2005, and a real per capita average annual rate of increase of about 1.2%. The projected personal income growth rate is down 1.5% from the actual growth rate experienced between 1970 and 1980.

Exhibit 15 shows per capita personal income since 1960 for Oregon, the United States and four of Oregon's Metropolitan Statistical Areas, Portland, Eugene, Salem and Medford.

EXHIBIT 15

**COMPARATIVE
PER CAPITA INCOME
1960-1984
(Current Dollars)**

	Portland MSA	Eugene MSA	Salem MSA	Medford MSA	Oregon	Percent Change	U.S.	Percent Change	Oregon as Percent of U.S.
1960	—	—	—	—	\$ 2,218	—	\$ 2,216	—	100.1%
1970	\$ 4,167	\$3,251	\$3,398	\$3,156	3,711	67.3%	3,945	79.2%	94.1
1971	4,463	3,521	3,654	3,458	3,956	6.6	4,167	5.6	94.9
1972	4,860	3,880	3,995	3,865	4,346	9.9	4,515	8.4	96.3
1973	5,363	4,349	4,615	4,190	4,835	11.3	5,010	11.0	96.5
1974	5,945	4,675	4,996	4,558	5,335	10.3	5,446	8.7	97.9
1975	6,417	5,128	5,345	4,904	5,723	7.3	5,842	7.2	98.0
1976	7,116	5,847	5,981	5,452	6,368	11.3	6,367	9.0	100.0
1977	7,831	6,640	6,546	6,047	6,998	9.9	6,984	9.7	100.2
1978	8,813	7,382	7,180	6,874	7,855	12.3	7,776	11.3	100.9
1979	9,781	8,069	7,915	7,570	8,676	10.5	8,657	11.3	100.1
1980	10,636	8,404	8,414	8,206	9,309	7.3	9,503	9.8	98.4
1981	11,565	9,026	9,006	8,652	9,938	6.8	10,582	11.3	94.7
1982	11,564	9,178	9,362	8,805	10,148	2.1	11,100	4.9	92.2
1983	12,268	9,726	9,949	9,500	10,748	5.2	11,687	5.3	92.1
1984	N.A.	N.A.	N.A.	N.A.	11,582	7.6	12,707	8.7	91.1

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System except for 1984 preliminary reports

N.A. Information currently not available.

Exhibit 16 shows total personal income, rates of change, and comparisons to the United States for the period from 1950 to 1983.

EXHIBIT 16

**COMPARATIVE
PERSONAL INCOME
1950-1983
(Billions of Current Dollars)**

Year	Oregon	Percent Change	U.S.	Percent Change	Oregon as % of Total
1950	\$ 2.5	—	\$ 225.7	—	1.11%
1960	3.9	56.0%	398.6	76.7%	0.96
1970	7.8	100.0	803.9	101.6	0.96
1971	8.5	9.0	861.9	7.2	0.99
1972	9.5	11.8	944.9	9.6	1.01
1973	10.8	13.7	1,058.9	12.1	1.02
1974	12.2	13.0	1,162.2	9.8	1.05
1975	13.3	9.0	1,258.6	8.3	1.06
1976	15.1	13.5	1,385.2	10.1	1.09
1977	17.1	13.2	1,534.7	10.8	1.11
1978	19.7	15.2	1,726.2	12.5	1.14
1979	22.4	13.7	1,942.6	12.5	1.15
1980	24.6	9.8	2,156.7	11.0	1.14
1981	26.5	7.7	2,420.0	12.2	1.09
1982	27.1	2.3	2,575.8	6.4	1.05
1983	28.6	5.5	2,734.1	6.1	1.04

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System

Consumer Price Index

Between 1972 and 1980, inflation in the Portland SMSA increased more rapidly than in the nation as a whole. In 1972, the Portland Consumer Price Index (CPI) was only 95.4% of the national average. By 1979 that relative measure had climbed to 103.7%. However, in the last two years, inflation in Portland has slowed to an annual average rate of 1.1% in 1983 and 3.8% in 1984, while the national rate has slowed to 5% in 1983 and 2.5% in 1984. Exhibit 17 shows the change in CPI since 1970 for the Portland SMSA and the United States.

EXHIBIT 17

**CONSUMER PRICE INDEX⁽¹⁾
FOR OREGON AND U.S.
(Annual Averages)
1970-1984**

Year	Portland SMSA	United States	Portland CPI as Percent of U.S. CPI
1970	113.2	116.3	97.3%
1971	116.1	121.3	95.7
1972	119.5	125.3	95.4
1973	127.3	133.1	95.6
1974	142.8	147.7	96.7
1975	156.5	161.2	97.1
1976	167.0	170.5	97.9
1977	180.2	181.5	99.3
1978	198.4	195.4	101.5
1979	225.4	217.4	103.7
1980	255.4	246.8	103.5
1981	278.2	272.4	102.1
1982	287.0	289.1	98.1
1983	290.1	303.5	95.6
1984	301.0	311.1	96.8

(1) The Consumer Price Index is computed using 1967 = 100 as base year. All urban consumers

Source: U.S. Bureau of Labor Statistics

Energy State Energy Policy

Historically, the Pacific Northwest energy picture has been dominated by the availability of plentiful, low-cost hydroelectric power. Although electricity is still less expensive in Oregon than in many areas of the country, the last major hydro generating plant on the Columbia River was completed in 1975. National shortages and dependence on imported oil, rapid population growth and increasing energy consumption in the state over the 1970's, and the lack of a comprehensive federal energy program contributed to the state's decision to formulate and implement its own energy policy.

The 1975 Legislature set the framework for Oregon's energy planning with the creation of the Oregon Department of Energy (ODOE), which has the responsibility for implementing and managing the state's energy policy. The policy states:

Continued growth and demand for nonrenewable energy forms poses a serious and immediate, as well as future, problem. It is essential that future generations not be left a legacy of vanished or depleted resources, resulting in massive environmental, social, and financial impact.

It is the goal of Oregon to promote the efficient use of energy resources and to develop permanently sustainable energy resources.

The Department of Energy has responsibility for energy conservation, renewable resources, energy planning, long-range supply and demand forecasting, energy facility siting, and regulation and monitoring. The 1983 Legislature also directed ODOE to prepare a State Energy Plan every two years.

Oregon's Energy Facility Siting Council has jurisdiction over major energy facilities in Oregon. A Need-for-Power plan was developed in 1981 and again in 1983 to reflect new programs and policies adopted by the Legislature and instituted under the Regional Power Act.

On January 1, 1985, ODOE published the State's First Biennial Energy Plan. The State Energy Plan sets forth actions, programs and resources to meet Oregon's long-term energy needs consistent with the State's energy policy. This plan is consistent with the Northwest Power Planning Council's regional plan and the Need-for-Power standard set by the Energy Facility Siting Council.

The plan includes actions that ODOE intends to take. It also recommends action by the Legislature, local governments and other state and federal agencies.

Regional Energy Policy

In November 1980, Congress passed the Pacific Northwest Electric Power Planning and Conservation Act. The bill establishes a mechanism for planning and financing new energy resources on a regional basis. Substantial funding is provided under the bill to promote conservation and renewable resources throughout the region.

The Act established a Regional Planning Council to develop a regional conservation and electric power supply plan by April, 1983. The eight member council comprises representatives of Idaho, Montana, Oregon, and Washington. The council worked in 1982 to assess the electricity demand of the Northwest and the cost and availability of resources to meet that demand. The Regional Power Act stresses conservation, renewable resources, and cogeneration. The Act directed the Council to complete a program aimed at protecting and enhancing the fish and wildlife along the Columbia River System and increasing water flows to carry the fish down the Columbia to the Pacific Ocean. The Council adopted a 20 year plan on April 27, 1983.

The Council is now working to revise the first plan. A draft of the revised regional plan is anticipated in summer 1985.

Existing Energy Resources Electricity

The state has a diverse mix of sources of electricity. The state is part of a large regional power system. Some power generated in the state is sold to other states. And, power from other states is used here.

From electricity resources within Oregon's border, the state has a total peak capacity of 7693 megawatts (MW) and firm energy generating capability of 3683 average megawatts (AMW). The smaller number is the power that can be counted on year after year, accounting for plant down time and adverse water conditions. An average megawatt is the power generated from one megawatt of capacity over one year.

Hydro is the largest source with 2390 AMW. About 1500 AMW of this is from the four Columbia River dams run by the Corps of Engineers. More than 225 AMW are from the Snake River dams owned by Idaho Power Company.

The remaining hydro are projects on the major state rivers. The Federal government owns 171 AMW of these. Of the rest, PGE owns 213 AMW; PP&L owns 238 AMW; and Eugene Water and Electric Board (EWEB) owns 43 AMW.

Trojan is the only nuclear power plant in the state. It has a capacity of 1080 MW. It is operated by PGE, which owns 67.5% of the plant. BPA has control over 30%. PP&L owns the remaining 2.5%.

Boardman is the only coal plant in the state. It has a capacity of 530 MW. PGE owns 80% of the plant. Idaho Power Co., and a group of electric co-ops each own 10%.

The balance of the state's power resources is combustion turbines. These use oil and natural gas and are used only for peak demand.

The two largest state utilities, PP&L and PGE, own power plants outside the state. Most of these are coal plants.

PP&L owns about 2500 AMW of coal plants. Most of this is from the Jim Bridger, Dave Johnston and Wyodak plants in Wyoming. The rest includes Colstrip 3 in Montana and Centralia in Washington. More than half of the output of these plants is used in Oregon.

PP&L also owns three dams on the Lewis River in Washington, with a total of 172 AMW. It also owns small hydro projects in Washington and California.

PP&L and PGE each have a 10% share (90 AMW) in the now mothballed WNP3 nuclear plant. The plant is part of the Washington Public Power Supply System (WPPSS) nuclear complex.

PGE has only a small part of its resources outside the state. This consists of 98 AMW in the Colstrip 3 project and 22 AMW in the two Centralia units.

Idaho Power Co. and CP National, which together provide less than three percent of Oregon's power, have all their resources outside the state.

The state has 34 publicly-owned utilities (POUs). EWEB is the only one that owns generating projects. A group of co-ops, the Pacific Northwest Generating Co., owns 10% of the Boardman coal plant.

The rest of the POU load is met by BPA. Also, a group of large industrial power users, called the Direct Service Industries (DSI), buy power direct from BPA.

BPA has provided about 35% of Oregon's power. BPA's system is mostly hydro. Power is generated at dams on the Columbia and Snake Rivers. Small projects are at smaller rivers in the region. BPA's system also includes thermal resources. Of these the WNP2 nuclear plant built by WPPSS is the largest. BPA also controls 10% of Trojan and 60% of the power from the N-reactor at Hanford.

If or when they are built, two other WPPSS nuclear plants would provide power for Oregon. WNP1 and WNP3 are 74% and 65% complete. Construction has been halted. There are serious doubts that either will ever be finished. BPA controls 80% of WNP3 and all of WNP1.

Oregon's largest investor-owned utility (OUs) also buys power from other utilities. The contracts vary in term, amount, delivery timing, and price. The largest are long-term contracts that both PP&L and PGE have with some Washington Public Utility Districts. PGE's contract is for more than 300 AMW of firm power. PP&L's is for about 200 AMW. The power comes from hydro dams on the middle Columbia.

Other contracts include PGE's and PP&L's contract's for power from the N-reactor at Hanford. Also, PP&L and PGE have contracts to get power from the Columbia Storage Power Exchange (CSPE).

Fossil Fuels

Except for recent finds of natural gas, Oregon has no known fossil fuel reserves. Oil products, natural gas, and some coal account for the lion's share of the state's energy diet. Oregon must import almost all of each fuel.

All of our refined oil products are imported. Most such products come from Puget Sound refineries through the Olympic pipeline.

Part of our oil products come from Salt Lake City through the Chevron pipeline. The rest comes from California. It is shipped by ocean tankers, trucks, and rail.

About half of our natural gas comes from British Columbia under long-term contracts. This is the most costly portion of our gas supply.

Most of the rest comes from the Rocky Mountains and the Southwest states. This source has increased its share of our natural gas over the last five years from about 37% to about 40%.

In 1980, the first production of any type of fossil fuel in this state began. This was from wells near Mist owned by Northwest Natural Gas Co. and two industrial firms. In 1983 these wells produced about 3.5% of state natural gas use. More wells have been added. More are expected in the future.

Little coal is used in the state other than for fueling the Boardman Plant. The bulk of the coal is used by a sugar refining plant and a cement firm. Total coal use in 1983 was 167,000 tons. A small amount of coal is used to heat homes. One hospital uses coal for space and water heating.

All of the coal used in Oregon is imported from Wyoming and Montana.

Renewable Resources

Renewable resources have always been a major part of Oregon's energy supply. Water power has been the backbone of the state's power supply system. Wood and mill waste heat homes and fuel industry.

The energy crisis of the 1970's brought other renewables to the forefront. The shortage sparked new interest in solar, wind, and geothermal by citizens, government, and utilities. Incentive programs, including federal and state tax credits, were enacted to turn this interest into real projects.

Hydro is the state's main source of power. In addition to large dams, citizens and businesses have built 26 projects larger than 100 KW. These have a total peak capacity of more than 110 MW.

Many hydro projects (100 KW and less) have an estimated total capacity of about 1 MW.

About 9,000 solar devices have been installed in Oregon since 1979. Most - about 90% - are solar water heaters. A solar water heater can save about half the energy otherwise needed. Of the remaining 10%, most are passive space heating systems. There are a few small photovoltaic systems for homes and water pumping. The total savings of all these solar systems is about 2 AMW. That is equivalent to the annual needs of over 8,000 all-electric homes.

Geothermal provides over 250 billion Btus of energy in Oregon. This is equivalent to the annual needs of over 3,500 all-electric homes. Most is for space heating. A large portion of use is in farming and food products. There is a 2 MW geothermal power plant near Lakeview that is not on line yet.

There are 46 wind projects in the state. Except for two, each is 15 KW or less. The two large projects are at Whiskey Run in Coos County. One is 125 KW and the other 350 KW.

There are 28 cogeneration projects (240 MW) in the state. Almost all are in the forest products industry. Wood wastes typically fuel these projects.

Three more projects are now being built and these will add 34 MW.

Wood waste is also used in industry to provide process steam and direct heat. In 1983, wood residues provided about 12 trillion Btus to the Oregon paper industry. More was used in the lumber and wood products industry. Pulping liquor, a by-product of pulping in the paper industry, is also used to produce steam and heat. In 1983, pulping liquors provided 38 trillion Btus.

Another form of biomass that produces energy is solid waste. A total of eight projects in the state produce biomass with energy content of about 400 million Btus. This is equivalent to the annual energy needs of over 5,500 all-electric homes.

Conservation

Conserved energy took on a resource role after the 1973 crisis. Government and utilities saw conservation as the least costly option. Incentive and education programs started in the late 1970s to promote wise energy use.

Most of the programs of the 1970s are still with us. More have been added. These include stringent building codes, incentive programs for energy-efficient new homes, utility and state home weatherization programs, low-interest loan programs, business and residential tax credit programs, commercial audit programs, institutional building programs, and technical assistance programs.

Energy Forecasts

In its First Biennial Energy plan, the Oregon Department of Energy forecasted future energy needs for the state by a complex methodology using end-use analysis and econometric modeling. Forecasts include projections of population, employment, energy intensiveness of manufacturing, income, price, and consumption by sector.

The state's energy use peaked in 1979. Since then, as the result of an oil crisis, higher energy prices, and a lengthy recession, energy use gradually declined through 1983. As the state continues to pull out of the recession, energy use is back on the upswing. Growth in energy use, however, is forecast to be at a much slower rate than in the previous two decades.

Total energy use is projected to grow at an average annual rate of .8% during 1985-2005. Total energy includes electricity, natural gas, oil products, coal, wood for residential space heating, and pulping liquor and hogged fuels in the paper industry. Most of the growth is projected to be in electricity use. Electricity is forecast to grow at an average annual rate of 1.5% for the 20 year period. Collectively, the other energy sources are forecast to grow at the average rate of .6% per year for the period. For total energy, as well as its components, growth is expected to be slightly higher in the first decade than the second.

The residential sector is projected to continue as the sector using most of the state's electricity. It also has the fastest growth rate in demand for electricity. For the period 1985-2005 demand increases at the average annual rate of 1.7%. In contrast, commercial and industrial demand grows at 1.3 and 1.5% per year.

The first Biennial Energy Plan of the Department of Energy is available from the State of Oregon, Department of Energy (503) 378-4040. The Second Biennial Energy Plan will be published January 1, 1987.

Exhibit 18 shows energy consumption by type in Oregon since 1960.

EXHIBIT 18

STATE OF OREGON CONSUMPTION OF ENERGY BY TYPE 1960-1982 (Trillion BTU)

Year	Coal	Natural Gas (Dry)	Petroleum	Nuclear Power	Hydro-electric Power(1)	Wood and Waste(2)	Sub Total	Electricity Exchanged Across State Borders(3)	Total Energy Consumed
1960	8.9	31.9	227.5	0.0	134.1	0.3	402.7	27.8	430.5
1961	9.4	35.0	228.5	0.0	133.0	0.2	406.1	34.1	440.2
1962	8.8	39.2	237.9	0.0	140.6	0.3	426.8	35.5	462.3
1963	7.5	44.7	246.7	0.0	142.9	0.3	442.1	38.7	480.8
1964	6.8	55.7	266.2	0.0	157.0	—	485.7	49.1	534.8
1965	7.1	57.9	262.3	0.0	172.6	0.3	500.2	46.1	546.3
1966	6.5	67.2	278.3	0.0	174.1	0.5	526.6	59.1	585.7
1967	4.8	72.1	277.0	0.0	186.3	—	540.2	61.9	602.1
1968	3.9	81.7	296.7	0.0	212.6	—	594.9	51.4	646.3
1969	4.0	90.6	310.5	0.0	291.4	—	696.5	-6.9	689.6
1970	3.0	96.2	313.1	0.0	313.9	0.5	728.7	-14.8	713.9
1971	3.4	104.0	331.7	0.0	360.1	0.3	799.5	-41.7	757.8
1972	2.2	113.3	365.8	0.0	378.6	0.6	860.5	-55.5	805.0
1973	2.1	110.1	369.9	0.0	292.4	0.6	775.1	45.6	820.7
1974	3.3	100.4	343.1	0.0	376.0	0.5	823.3	-17.1	806.2
1975	2.7	112.1	328.0	—	359.6	—	802.4	28.4	830.8
1976	5.9	94.3	332.9	23.2	367.0	0.5	823.8	16.0	839.8
1977	5.2	73.9	359.9	69.9	254.5	2.7	766.1	71.1	837.2
1978	4.7	87.5	364.6	17.1	330.6	1.4	825.9	73.6	899.5
1979	4.7	95.4	389.5	47.9	309.2	2.2	848.9	77.8	926.7
1980	12.4	80.6	368.7	58.8	314.0	1.7	836.2	60.0	896.2
1981	26.3	77.5	352.6	70.9	336.2	1.3	864.8	6.3	871.1
1982	12.1	72.7	364.2	52.8	473.5	0.4	975.7	-131.6	844

(1) Includes industrial and utility production

(2) Consumed at utilities to produce electricity

(3) Imports (export) of electricity to Oregon

Note: Totals may not equal sum of components due to rounding

Note: Totals do not include wood derived fuel consumed by the pulp and paper industry which amounted to an estimated 1.0 quadrillion BTU in the United States in 1978. Also excludes small quantities of other energy sources for which consistent historical data are not available, such as solar energy obtained by the use of thermal and photovoltaic collectors, wind energy, and geothermal, biomass, and waste energy other than that consumed at the electric utilities

Source: U.S. Department of Energy, Energy Information Administration, State Energy Data Report, May 1984

International Trade and Exports

Like other segments of Oregon's economy, geography and natural resources have played a role in the development of the state's international trade activities. The majority of the state's international trade occurs through the Port of Portland, where an efficient system for dealing with a large number of vessels has been developed, including modern grain elevators, cranes, break-bulk and containerized cargo facilities, and ship repair and drydock facilities. Other important ports are located at the coastal cities of Astoria, Newport and Coos Bay. The state has a total of twenty-three port districts - all located on navigable waterways.

The Port of Portland is one of the leading export ports on the West Coast. Grain is the principal export commodity and fiscal 1984's 5.2 million tons set a new record, having increased by 23% over 1983. As in 1983, a new record was set in 1984 for the number of automobiles imported through the Port of Portland. The Port is the leading auto import center on the coast. The total tonnage of all items shipped through the Port (excluding grain) was 3,138,699 in 1984, a 23.7% increase over 1983. Passenger traffic at Portland International Airport broke previous records in 1984, rising 4.7% over the year to 4,750,708. Air cargo increased 9.8% to 58,050 tons. The Port also announced a 46% increase in containerized cargo tonnage in 1984 (1.3 million tons), with a record 81,852 containers loaded and 40,917 unloaded. Container ship calls increased by 39% in 1984.

The Oregon Customs District (which includes Astoria, Coos Bay, Newport and Portland and the Washington ports of Vancouver, Kalama, and Longview) has had a substantial trade surplus throughout the decade. Both imports and exports have grown significantly in the past ten years. Grains have dominated exports while automobiles are the principal import item. The value of foreign exports from the Portland Customs District set an alltime record of \$4.117 billion in 1984, an 11.3% increase over 1983. Likewise, imports into the Customs District achieved the largest increase of record to total \$3.628 billion, 27.5% ahead of last year. The goods contributing to this unprecedented surge in exports includes wheat, barley, corn, alfalfa cubes, logs, lumber, paperboard, frozen potatoes, soaps/cleaners, soda ash, and sorghum. On the import side, in addition to automobiles, there were significant increases for electrode pitch, footwear, gasoline, hardware, alumina, and wire. Exhibit 19 presents value of exports and imports of the Oregon Customs District from 1970 to 1984. Customs District data do not necessarily represent products of Oregon or having Oregon as final destination and exclude certain air cargos. For 1984, exports and imports show 11.3% and 27.5% increases, respectively.

EXHIBIT 19

STATE OF OREGON OREGON CUSTOMS DISTRICT EXPORTS AND IMPORTS 1970-1984 (Millions of Current Dollars)

Year	Exports	% Change	Imports	% Change	Export Surplus
1970	\$ 786.9	+ 18.2%	\$ 382.1	+ 6.9%	404.8
1971	576.7	- 26.7	412.5	+ 8.0	164.2
1972	791.4	+ 37.2	484.6	+ 17.5	306.8
1973	1,697.2	+ 114.5	605.2	+ 24.9	1,092.0
1974	2,250.7	+ 33.1	903.5	+ 49.3	1,347.2
1975	1,982.2	- 12.3	809.0	- 10.5	1,173.2
1976	2,134.9	+ 7.7	1,108.2	+ 37.0	1,026.7
1977	1,796.3	- 15.8	1,551.4	+ 3.9	246.9
1978	2,414.8	+ 34.3	2,055.7	+ 78.5	359.1
1979	3,063.6	+ 26.9	2,361.8	+ 14.9	701.8
1980	3,761.4	+ 22.8	2,623.9	+ 12.1	1,137.5
1981	3,882.6	+ 3.2	2,805.6	+ 6.9	1,077.0
1982	3,316.0	- 14.6	2,631.7	- 6.2	684.3
1983	3,699.0	+ 11.6	2,845.0	+ 8.1	854.0
1984	4,116.9	+ 11.3	3,627.8	+ 27.5	489.1

Source: U.S. Department of Commerce, Portland District Office and Oregon Economic Indicators, published by First Interstate Bank of Oregon, N.A.

Tourism

Oregon has many outstanding features which favor development of tourism. The state is noted for protection of its clean environment and natural scenic beauty. Within state boundaries exist major mountain ranges, vast coastal and desert regions, and multi-use and wilderness forest areas. The state has over 400 miles of seacoast, 47,000 miles of streams, 1,400 lakes and reservoirs, 225 state parks and a national park. While summer is traditionally the peak vacation season, tourism contributes all year to the state's economy and is enhanced by a mild, comfortable climate throughout the year and a wide variety of available leisure activities.

Over 12.9 million pleasure travelers were recorded in 1983, an increase of 9.3% over 1982. The average traveler stayed in Oregon 5.6 days in 1983. Despite a weak national economy, out-of-state tourist counts dropped only 1% from 1981 to 1983.

The overall impact of tourism on Oregon's economy is difficult to estimate. Tourism consists of segments of the retail trade, service and transportation industries. The availability and price of motor fuel usually affects the number of out-of-state visitors each year, but the impact of this variable is off-set somewhat by the number of Oregonians choosing to vacation in the state.

By bringing in capital from outside the state, tourism has a significant impact on income and employment levels. The Oregon State Highway Division estimated an increase in tourist expenditures of 11.4% between 1980 and 1981 with a 1981 total of \$1.27 billion. In 1983, it was estimated that out-of-state travelers spent \$1.6 billion in Oregon, a 10.5% increase over 1982. Favorite spots for travelers are the Oregon Coast, the Portland/Columbia Gorge/Mt. Hood areas, and Southern Oregon.

Post Secondary Education

The Oregon State Board of Higher Education is the governing board for the Oregon State System of Higher Education. Approximately 58,470 students attend the eight institutions composing the system. Enrollment is projected to increase slightly over the next five years. The state operates four universities: the University of Oregon in Eugene, Oregon State University in Corvallis, Portland State University in downtown Portland and the Oregon Health Sciences University which consists of Medical, Dental and Nursing Schools located in Southwest Portland. Other state schools include Eastern Oregon State College, Western Oregon State College, the Oregon Institute of Technology and Southern Oregon State College.

In addition, there are twenty-five independent colleges, fifteen community colleges and various proprietary vocational schools in the state.